



UMKHANYAKUDE DISTRICT MUNICIPALITY

ANNUAL REPORT

2017/2018

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CONTENTS

FOREWORD BY THE MAYOR	4
FOREWORD BY THE MUNICIPAL MANAGER	5
MUNICIPAL POWERS AND FUNCTIONS	6
SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK	7
PERFORMANCE MANAGEMENT PROCESSES	15
1. OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY.....	18
1.1 Brief Demographic Profile for uMkhanyakude Municipalities.....	19
2. MUNICIPAL GOVERNANCE.....	20
2.1 Political Governance.....	20
2.2 Administrative Governance.....	21
2.3 Corporate Governance.....	24
3. PERFORMANCE HIGHLIGHTS	25
3.1 Corporate Services Performance Highlights	25
3.2 Technical Services & Infrastructure Services	34
3.3 Community Services Planning and Economic Development	39
3.4 Office of the Municipal Manager	71
3.5 Budget and Treasury Office.....	75
4. ANNUAL PERFORMANCE REPORT.....	78
4.1 Performance Management Process.....	78
4.2 Key Performance Area Report	79
4.3 Comparison with Previous Financial Years	79
4.4 Service Delivery Priorities and Targets for 2018/2019 FY.....	80
4.5 External Service Provider Performance Assessment	93
4.6 Key Areas to Note.....	95
4.7 Lessons Learnt and Way Forward	95
5. FINANCIAL PERFORMANCE	96

6. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS -17/18	100
ANNEXURES	101
Annexure A: Consolidated Annual Financial Statements – 2017/2018 FY	101
Annexure B: Auditor General’s Report – June 2018	101
Annexure C: Audit Action Plan – 2018/2019 FY	101
Annexure D: Organisational Scorecard for 2017/2018 FY	101
Annexure E: Audit Committee Report – 2017/2018 FY	101
Annexure F: Annual Report for uMhlosinga Development Agency – 2017/2018 FY	101
APPENDICES	101
Appendix A: Statement of Financial Performance – 2017/2018 FY.....	101

FOREWORD BY THE MAYOR

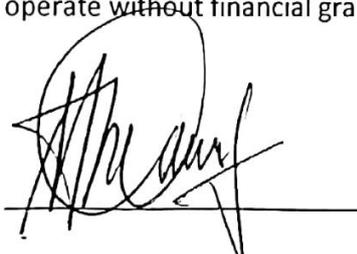
It has always been a daunting task to reflect on the performance of a municipality administratively politically and otherwise. The environment in which municipalities operate in is usually surrounded by huge expectations on the part of its citizens to honour that promise of equitable and sustainable service delivery mandate. The financial year for 2017/2018 was no different as there were commitments that were made between administrators and the Council to deliver on particular targets that were meant to be of benefit to Umkhanyakude citizens. The picture that emerged at the end of the financial year reflected an improved overall performance in various units of the Municipality.

The appointment of the Municipal Manager around August 2017 brought some relief administratively as there was a focus on addressing long outstanding issues on all key performance areas. One of the main tasks that the Municipal Manager addressed was the alignment of the IDP and the organisational scorecard. This exercise also involved revising performance targets so that they meet standards as set out in the Planning and Performance Regulations for 2001. By the end of the financial year positive results were reported but Auditor general is working on scrutinising information that has been reported. It is hoped that the Municipality will receive a much improved Auditor General's Opinion compared to 2016/2017 financial year whereby adverse opinion was expressed.

Various communities within the District were brought on board with regards to the programmes related to the provision of bulk infrastructure services. The commitment on the part of the Council to ensure that quality services are delivered was accompanied by the expectation that services delivered must be paid for, depending on the status of the recipient of that particular service. At some point in time these two expectations must be met as they are complementary.

The relations between the District Municipality and its entity, uMhlosinga Development Agency improved during 2017/2018 financial year. What still lacks is the issue of monitoring and evaluation based on the business plan and the service level agreement between the District Municipality and uMhlosinga Development Agency. With the appointment of the new board in the last half of 2018 it is envisaged that all issues related to monitoring and evaluation will be addressed.

In presenting this Annual Report, the uMkhanyakude District Municipality sets out performance highlights and financial management for the 2017/2018 financial year. Service delivery backlogs are being addressed and it is expected that by the end of the current term of local government, more than 80% across the board would have been achieved. On the other hand, financial performance of the Municipality is critical. Currently the Municipality is dependent on government conditional grants which is not sustainable. The future of the Municipality is not bright if it cannot stand on its own and operate without financial grants.



Cllr T. S. Mkhombo
His Worship the Mayor

FOREWORD BY THE MUNICIPAL MANAGER

In September 2017 the process of preparation of the IDP document commenced after the adoption of the IDP process and framework plan. The alignment of the IDP and the Organisational Scorecard was then assessed and it was realised that there was a lot of misalignment between the two. A decision was then taken to review the Organisational Scorecard and the SDBIP which then translated to the amendment of the IDP for 2017/2018. The Council adopted the process plan for the review of the Organisational Scorecard and the amendment of the IDP. Several administrative processes and consultations with various stakeholders were then engaged. This then translated into reviewed Organisational Scorecard and amended SDIP. The reporting processes then improved and this will bring much needed levels of responsibility on administrative matters of the Municipality and which ultimately lead to improved Auditor General's audit opinion for 2018/2019 FY.

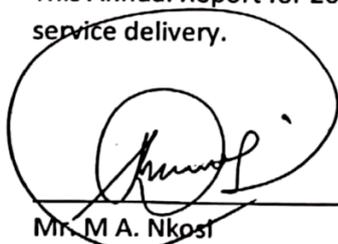
The organisational reengineering process in a form of a work study has been also conducted view to improving efficiency in service delivery across all key performance areas of the Municipality. From this exercise the organogram of the Municipality has now been reviewed and this will bring about much needed improvement in service delivery.

The relations between the Municipality and its entity, uMhlosinga Development Agency has improved. The Municipality still needs to improve on matters relating to oversight of the Entity. It has been agreed that there will be regular performance assessments based on the business plan and the service level agreement that will be signed for 2018/2019 financial year.

The Intergovernmental Relations (IGR) climate has also improved within the Umkhanyakude District. Various forums are now meeting regularly to discuss issues as per the IGR terms of reference that were adopted around 2012. These forums are strengthening service delivery and governance which improves quality of decisions that are taken by the Council.

The Municipality is still heavily dependent upon grant funding in order to carry out its constitutional mandate. Several strategies have been developed with a view to improving revenue collection on services that are being rendered to private households, public and private sector. If revenue collection were to improve, it would mainly be from water and sanitation services that the Municipality is currently providing. Provision of electricity is mainly taken care of by local municipalities. The Municipality has immensely invested capital on infrastructure for water and sanitation. A significant portion of capital has also been set aside to cater for operations and maintenance especially for aging infrastructure. The quality of water that is being reticulated to communities has to be in good quality so as to avoid undesirable consequences on human life.

This Annual Report for 2017/2018 represents a turnaround in administrative processes and improved service delivery.



Mr. M. A. Nkosi
Municipal Manager

MUNICIPAL POWERS AND FUNCTIONS

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

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

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

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

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

SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK

INTRODUCTION

In terms of section 121(1) of the MFMA, every municipality and every municipality must for each financial year prepare an annual report. In terms of section 127(2) of the MFMA, the Mayor of the Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control.

The Annual Financial Statement of the Municipality {section 121(3)(a)}

The Annual Financial Statement of the Municipality including the consolidations have been prepared and submitted to Auditor-General for audit. Such audited Consolidated Annual Financial Statement have been included in the Annual Report which was tabled to Council for adoption. *See AFS*

The Auditor-General's Report {section 121(3)(b)}

Auditor-General has audited and issued a report on the Consolidated and Separated Financial Statements, report on other legal and Regulatory requirements and other Reports. The report of Auditor-General is included in the Annual Report which was tabled to Council for adoption. *See Annexure B*

The Annual Performance Report {section 121(3)(c') and section 121(3) (d)}

The Annual Performance report was Prepared and submitted to Auditor-General for audit. Such audited Annual performance report is included in the Annual report which was tabled to Council for adoption. The Annual performance report was audited by Auditor-General in terms of section 45(b) of the Municipal Systems Act (MSA). *See Chapter 4, page 80*

An assessment of the arrears on Municipal charges {section 121 (e')}

The analysis and the assessment of the arrears on municipal charges has been made in the Annual Financial Statement under Trade and Other Receivables in **Note 4 on page 32 to page 34** of Audited Annual Financial Statements. Such audited Annual Financial Statements have been included in **Chapter 6**

Revenue Performance against the budget {section 121(3) (f)}

The revenue performance has been made in form of Statement of Comparison between the budget and the actual amounts of the Annual Financials (AFS). However, it must be mentioned that the actual revenue collection has been very low due to the reason but not limited to the following:

- High number of indigents within the entire district;
- High number of unemployed within the district;
- Continuous none availability of water supply to the community within the district;
- Huge number of unmetered properties and illegal connection; etc.

See Appendix A of the AFS

121 (3) (f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.

Description	2016/17	Current Year 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
R thousands				
<u>Financial Performance</u>				
Service charges	19 541 684	35 669 000	25 780 000	30 788 710
Investment revenue	5 305 018	4 256 000	4 562 000	6 958 166
Transfers recognised - operational and capital	556 436 934	656 422 000	621 609 000	672 862 809
Other own revenue	16 426 807	12 190 000	9 888 000	7 918 091
Total Revenue (excluding capital transfers and contributions)	597 710 443	708 537 000	661 839 000	718 527 776

Other Action Plan {section 121(3)(g)}

The Audit action plan has been prepared to correct issues raised by Auditor-General and is part of the Annual Report as **Annexure C**

Other issues of importance in connection with the AFS {section 121 (3)(h)}

(a) Liquidity

The liquidity of the municipality has been affected negatively in the sense that current Liabilities have exceeded the current assets of the municipality. The reason being that the huge amounts of receivables / debtors have being written off and some doubtful which resulted in a huge reduction of current assets. However, such incidence was disclosed in the Annual Financial Statement under Going Concern in note 46 of the AFS. The municipality is not financial self-sustainable as it entirely depended on grants.

(b) Property, plant and equipment

The property, plant and equipment has huge amount of Work-in progress (WIP) which means that the capital projects are not getting complete. Such delay on completion of capital projects has negative impact on actual service delivery on the ground. See note no 8 on AFS for more details.

Section 121 (3) (i) Any information as determined by municipality

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the UMkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Section 121 (3) (j) Any recommendations of the municipality's audit committee

See Annexure D

Section 121 (3) (k) Any other information as may be prescribed

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

Disclosures:-

Allocations from organ of state (section 123(1)(a))

The allocations from organ of state have been analyzed and disclosed on the audited Annual Financial Statements (AFS) in note **21 from page 49 to page 53**. Such AFS have been included in the Annual Report for tabling to Council.

Attachment per AFS

Section 123 (1) (a) (ii) Allocations received from a municipal entity or another municipality

The municipality has established a Development Agency called uMhlosinga Development Agency (UMDA). It is wholly owned by uMkhanyakude District Municipality. The Annual allocations are made to uMhlosinga Development Agency.

Section 123 (1) (b) (i) Allocations made to a municipal entity or another municipality

The allocation made by the municipality to municipal entity (UMHlosinga Development) R11 097 094 on page 57 of the AFS.

Section 123 (1) (b) (ii) Allocations made to any other organ of state

None

Section 123 (1) (c) Details of how the allocations that were received were spent per vote excluding equitable share. Note 4 on page 49 to page 53 of the Annual Financial Statements AFS.

Attachment per AFS

Section 123 (1) (d) (i) The municipality has complied with allocation made to it by National Government

Yes

Section 123 (1) (d) (ii) The municipality has complied with allocations made to it other than by National organs of state

Yes

Section 123 (1) (e) Reasons for non-compliance with grant conditions referred to above

None

Section 123 (1) (f) Delays or withholding of funds DoRA

None

Section 123 (1) (a) Reasons for delay or withholding of funds ... DoRA

None

Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)

Remunertaion of councillors

Note 23 on page 56 of the AFS.

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

The Mayor has 2 full-time bodyguards and 1 relief bodyguard

Section 124 (1) (b) Statement by the accounting officer that salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Section 124 (1) (c) Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days.

None

Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager

Employee related costs Note 22 on page to 55 of the AFS.

Section 125 (1) (a) List of all municipal entities under the shared or sole control of the municipality

UMhlosinga Development Agency

Section 125 (1) (b) Total amount of contributions to organised local government for the year and any outstanding amounts at year end [if the amount is “nil” indicate so]

Nil

Section 125 (1) (c) Taxes

Nil

Section 125 (2) (a) Name of bank where account is held

See Note 7 of the AFS

Section 125 (2) (b) The Details of the bank account are disclosed in the Annual Financial Statements (AFS) in **note 7 under Cash and Cash Equivalentents.**

Section 125 (2) (c) Particulars of contingent liabilities at year end

See Note 40 on AFS for disciplinary matters and supplier disagreements

Section 125 (2) (d) (i) The unauthorized and irregular Expenditure has been disclosed in the AFS per note 34, 35 and 36 from page 58 to page 59. Such AFS are included in the Annual Report for tabling to Council.

Note 35 – 37 on page 64 of the AFS.

Municipal Systems Act Requirements

MSA s45 – Audited performance measures

See Annual Performance Report on page 80 and Annexure D

MSA s46 (1) (a) - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

See page 95

MSA s46 (1) (a) – (ii) Current year's performance and targets as well as the prior year

See page 81 Annual Performance Report

MSA s46 (1) (a) – (iii) Performance report measures that were taken or are to be taken to improve performance

See relevant column of Annual Performance Report on Annexure D

MSA s46 (1) (a) - Service delivery priorities and performance targets set for the next financial year

See page 82

PERFORMANCE MANAGEMENT PROCESSES

The annual process of managing performance at organizational level in the Municipality involves the steps as set out in the diagram below:



Performance Planning

The performance of the Municipality is managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance.

Performance monitoring

Performance monitoring is an ongoing process by which a manager accountable for a specific indicator as set out in the organizational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

Performance measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. When performance measurement is due, managers are expected to collect and collate the necessary performance data or information and capture the result against the target for the period concerned on the organizational scorecard and relevant SDBIP scorecard and report the result accordingly.

Performance analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met, performance analysis requires that the reasons therefore should be examined and corrective action be taken. Where targets have been met or exceeded, the key factors

that resulted in such success should be documented and shared so as to ensure organizational learning.

Performance reporting and review

This section is further divided into three sections dealing with the requirements for in-year versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

In-year performance reporting and review

This step involves submission of the scorecards to the Executive Committee for consideration and review of the performance of the Municipality as a whole. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

The organizational and SDBIP scorecards are submitted to the Executive Committee for consideration and review on a quarterly, half yearly basis.

Annual performance reporting and review

On an annual basis, a comprehensive report on the performance of the Municipality is compiled in terms of the MFMA as well as the Municipal Systems Act. After the adoption of the annual report by council it is then subjected to an oversight process which also involve public participation.

Summary of various performance reporting requirements

The following table, derived from both the legislative framework for performance management and this PMS Framework, summarizes for ease of reference and understanding the various performance reporting deadlines as it applies to the Municipality:

Report	Frequency	Submitted for consideration and/or review to	Remarks
1. SDBIPs	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See sections 71 and 54 of the MFMA
3. Organisational Scorecard	Quarterly	Executive Committee	This PMS Framework
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual report	Annually	Council	See section 121 of the MFMA

The Municipality uses the Key Performance model. In the said model, all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

The following are the six Key Performance Areas (KPA's) that are being used in the preferred performance management model:

- Institutional Transformation and Development
- Service Delivery and Infrastructure Development;
- Local Economic Development;
- Good Governance and Public Participation; and
- Municipal Financial Viability and Management
- Cross Cutting Interventions

1. OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY

District Overview

UMkhanyakude District Municipality is located in the far Northern region of KwaZulu-Natal Province in South Africa (**32,014489; -27,622242**). At 12 818 km² and with a population totalling 689,090, the District is the 2nd largest District in KwaZulu-Natal, in terms of size, behind its neighbouring District, Zululand District Municipality. UMkhanyakude District also has the World Heritage Site known as Isimangaliso Wetland Park which encompasses the entire coastline of more than 200 km. The Map below indicates the boundaries of the 5 local municipalities within the UMkhanyakude District and surrounding neighbourhoods. The District Municipality consists of the following municipalities:

Local Municipalities within the

District

- UMhlabuyalingana Municipality (KZ 271)
- Jozini Municipality (KZ 272)
- The Big 5 Hlabisa Municipality (KZ 276)
- Mtubatuba Municipality (KZ 275)

The District Municipality is located in Mkhuze and has:

- The Republic of Mozambique to the North
- The Indian Ocean to the East
- King Cetshwayo DM to the South (DC28)
- Zululand DM to the West (DC26)
- the Kingdom of Swaziland to the North- West

1.1 Brief Demographic Profile for uMkhanyakude Municipalities

The Population

Table 1: Population Figures - STATSSA 2016 Community Survey

	UMhlabuyalingana	Jozini	Big 5 Hlabisa	Mtubatuba	Umkhanyakude
2011	156,736	186,502	107,183	175,425	625,846
2016	172,077	198,215	116,622	202,176	689,090
% Growth	8,9%	5,9%	8,7%	13,2%	9,2%

Table 2: Population by Group Type for Umkhanyakude District - STATSSA 2016 Community Survey

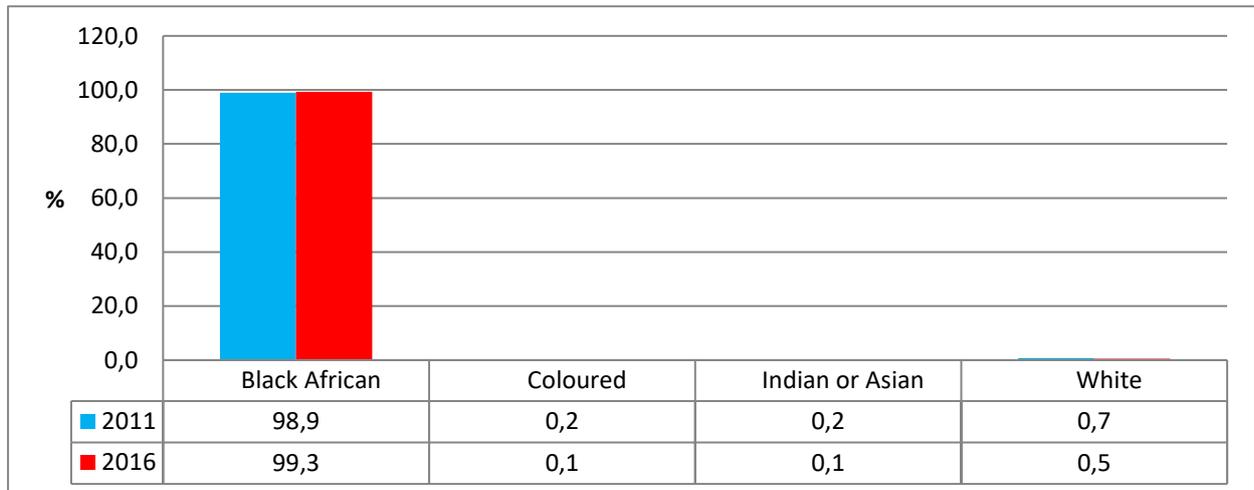


Table 3: Household Figures - STATSSA 2016 Community Survey

Municipality	Household Size	No of Wards	Traditional Councils
Umhlabuyalingana	39 614	18	4
Jozini	44 584	20	7
Mtubatuba	25 255	13	6
Big 5 Hlabisa	41 792	20	1
UKDM	151 245	71	18

2. MUNICIPAL GOVERNANCE

The institutional structure of the municipality is divided into two levels, the Political and Administrative structures. The Administrative structure is accountable to the Political structure. The administration of the Municipality is structured according to the powers and functions allocated to municipalities as per Chapter 3 of the Municipal Systems Act and Regulations 32 of 2000. The Municipality is guided by the policies and procedures which are developed from National and Provincial guidelines and adopted by Council.

2.1 Political Governance

The Council comprises 31 seats allocated according to proportional representation as per Schedule 2 (7) of the Local Government Municipal Structures Act and Regulations 117 of 1998 and representative of all Local Municipalities.

The Council is made up of the following political parties: African National Congress (16 Councilors) INkatha Freedom Party (14 Councilors) Economic Freedom Fighters (1 Councilor).

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Councilor M. Msane. The Executive Committee (EXCO) which is chaired by the Mayor of Council, Cllr. S. Mkhombo is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in question.

To ensure effectiveness of oversight; Council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

No.	Committee	Relevant Section of the MSA	Chairperson
1.	Executive Committee	Section 80	Cllr S.Mkhombo
2.	Finance Portfolio Committee	Section 80	Cllr S.Mkhombo
3.	Corporate Governance Portfolio Committee	Section 80	Cllr F.C.Hlabisa
4.	Community Services & Planning and Economic Development	Section 80	Cllr M.Ngcobo
5.	Technical Services Portfolio Committee	Section 80	Cllr S.Mkhombo
6.	Municipal Public Accounts Committee	Section 79	Cllr S.W.Mzinyane

2.2 Administrative Governance

In accordance with municipal legislation, UMkhanyakude District Municipality has developed an organizational structure which has been adopted by Council. The managerial structure has been developed in a manner that would enable the Municipality to deliver on its priorities and objectives, as set out in the Municipality's Integrated Development Plan. UMkhanyakude District Municipality consists of five (5) departments, namely:

- Corporate Services
- Financial Services
- Technical Services
- Community, Planning and Economic Development

Section 54 and 56 posts are as follows:

No.	Position	Appointment Status
1.	Municipal Manager	Filled – Aug 17 to Jun 2018
2.	GM: Corporate Services	Filled – Apr 2018 to Current
3.	Chief Financial Officer	Filled – from Dec 2017 to Current
4.	GM: Community Services and PED	Vacant – from March 2018 to Current
5.	GM: Technical Services	Filled – from Dec 2017 to Jan 2018

THE OFFICE OF THE MUNICIPAL MANAGER IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Overall Administrative Management & Oversight
- Municipal Support functions
- Communications, Marketing and Branding
- Internal Audit & Risk Management
- Legal Services
- Research & Policy Development
- Intergovernmental Relations (IGR)
- Batho Pele Implementation & Monitoring

THE CORPORATE SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Information Communication Technology
- Support Services (Administration, Auxiliary Services, Council Support, Facilities Management;
- Records and Information Management and Knowledge Management)
- Human Resources Management (Organizational Development, Recruitment and Selection,
- Employee Wellness and Occupational Safety, Career Development, Performance Management,
- Human Resources Development, Labour Relations and Batho Pele)

THE FINANCIAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Budget and Treasury Management
- Supply Chain Management
- Revenue Management
- Expenditure Management
- Financial Control and Cash Management
- Accounting and Reporting

THE TECHNICAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Municipal Infrastructure Planning, Funding, Maintenance and Development Management
- Electricity Distribution Management
- Water Distribution Management
- Sanitation Distribution Management
- Water Quality Monitoring
- Project Management Unit

THE PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Spatial Planning
- Land Use Management & Administration
- Geographical Information Systems (GIS)
- Environmental Planning & Management
- District-Wide Growth & Development Planning (DGDP)
- Secretariat to the District Development & Planning Commission (DDPC)
- Human Settlement Planning & Coordination
- Integrated Development Planning (IDP)
- Performance Management Systems (PMS)
- Local Economic Development (LED)
- Tourism Development & Marketing
- uMhlosinga Development Agency (UMDA)

THE COMMUNITY SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Fire Services
- Disaster Management
- Special Programmes
 - Youth & Sports Development & Support Programmes
 - People with Disabilities Development & Support Programmes
 - Elderly People Development & Support Programmes
 - Women Development & Support Programmes
 - HIV/AIDS Support Programmes
- Sector Development
- Environmental Health Planning & Management
- Protection Services
- Social Development

2.3 Corporate Governance

Website Functionality

- The Municipal Website is fully functional
- The Website is hosted by TTech Technologies
- The Email services have been added on the Municipal website, meaning that the municipal employees are able to access their emails through the Municipal website and is secured
- The Website is updated on a regular basis by IT staff
- There is a search engine added on the Website and quick links
- There is an intranet linked with the municipal website where Councillors are getting their Council agendas.

The Municipal website has 95% up time.

COR Information Security Management

- Installed Active Directory Audit plus tool for auditing the entire Active Directory- this is to track logon attempts and all changes made on the Active Directory.
- Installed Network Area Storage (NAS) for onsite Backups and Archiving.
- All Application systems are maintained with their licenses renewed every year:
 - Payday, Pastel Evolution, Zimbra Email Collaboration suite, Fortigate Firewall, Antivirus program
- Patch Management is done on all Servers.
- Number of users on the network is + - 250.

3. PERFORMANCE HIGHLIGHTS

3.1 Corporate Services Performance Highlights

Council and Standing Committee meetings held during 2017/2018 financial year:

Council	Executive Committee	Corporate Governance Portfolio Committee	Community and PED Portfolio Committee	Finance Portfolio Committee	Infrastructure Portfolio Committee	MPAC	Local Labour Forum
16	16	07	11	10	10	04	07

2017/2018 PERFORMANCE HIGHLIGHTS

- Review of the organizational structure and its adoption by council
- Filling of GM: Corporate Services position in April 2018.
- Signing of Agreements of Employment and Performance Agreements by all Section 54 and 56 Managers;
- Compilation and submission of the 2017/2018 Workplace Skills Plan and the Training report to LGSETA;
- Development of the Records Management Policy with the assistance of COGTA and Department of Arts and Culture;
- Conducting Health and Safety Risk Assessments.

ORGANIZATIONAL DEVELOPMENT PERFORMANCE

MUNICIPAL PERFORMANCE OVERVIEW

Employee Totals (as per the approved organogram)	Board and General (16) Corporate Services (33) Community Services (32) Financial Services (65) Technical Services (185) PED (12) Casual Workers (7) Contract/Pump Attendants (47)
Total	397 Employees
Turnover	Deaths (06) Resignations (01) Retirements (26) Expiry of Contracts (22) Dismissals (3)
Total	60 Employees
Vacancies (as per the approved organogram)	Board and General (13) Corporate Services (14) Community Services (16) Financial Services (24) Technical Services (48) PED (15)
Total	130 Vacancies

MANAGING EMPLOYEE WORKFORCE

- **Administration Policies**

Information Security Management Policy.

- **Suspensions**

Department	Designation	Suspension Month
Budget and Treasury	Dep.CFO	8 May 2016
Community Services, Planning and Economic Development	Senior Manager: LED	15 November 2017
Technical	Manager: Water & Sanitation	15January 2018
Budget and Treasury	Cashier	08 July 2017
Budget and Treasury	Cashier	08 July 2017
Budget and Treasury	Cashier	08 July 2017

- **Dismissals**

Department	Designation	Month
Technical	Plant Operator	06 November 2017
Technical	Plant Operator	23 January 2018
Corporate Services	General Worker	26 February 2018

- **List of Litigations and labour matters in the Municipality**

Parties	Nature of dispute	Status	Amount Due	Law firm representing UKDM
Engeolab	Non- payment	Summons issued	R1 168, 023.88	Jafta Incorporated
Neslife Assurance	Contractual dispute	Summons issued	R13 000 000.00	Munguni & Associates
27 Years Robben Island	Contractual dispute	Letter of demand issued	R1 000 000.00	Ngidi & Company Incorporated
MS Dlamini	Unfair dismissal	Review Labour Court	None	Dludlu Attorneys
LM Matlena	Unfair dismissal	Review Labour Court	None	Jafta Incorporated
SP Hlabisa & 7 others	Unfair discrimination based on age	Labour Court	None	MM Ntanzu Attorneys
TM Mabika	Alleged misconduct	Pending	None	Jafta Incorporated
Mageba Consulting Engineers	Contractual dispute	High Court	R4 702 492.02	Maseko Mbatha INC.
Gayoyo Consulting	Contractual dispute	High Court	R4 700 000.00	Maseko Mbatha INC.
Barzani Development(Pty)LTD	Contractual dispute	High Court Matter	Proposed settlement R26 256 338.70	Maseko Mbatha Inc.
WSSA	Contractual dispute	High Court	R29 086 141.43	Maseko Mbatha Inc.
VM Gumede	Challenging appointment of MM	High Court matter	None	Maseko Mbatha Inc.
Sakhokuhle Consulting and Projects	Contractual dispute	High Court matter	R3 640 000.00	Nxumalo & Partners Attorneys
Senekal N.O.& 6 others	Unpaid invoices	Summons issued	R5 104 294.28	Nxumalo & Partners Attorneys

- **2017/2018 Annual Training Report**

Position	Course attended	Service Provider	Date
18 Managers	Records Management	Arts and Culture	23May 2018

- **Occupational Injuries report 2017/2018**

No	Employee Name	Occupation	Brief Description	Date	Submission to DOL
1.	Ms.I.S.P.Maklina	Plant Operator	An employee was attacked and stabbed at work	August 2017	Reported to SAPS and Department of Labour
2.	Mr. Q. Myeni	EPWP working as a Plant operator	An employee fell on the tri-pot and injured himself.	September 2017	Reported to SAPS and Department of Labour
3.	Mr.M. Mhlongo	Water tanker driver	An employee was involved in an accident.	May 2018	Reported to SAPS and Department of Labour

Challenges and Proposed Interventions for Corporate Services Department

Key Issue	Challenges	Proposed Interventions
Organizational Structure	<ul style="list-style-type: none"> • Bloated structure • Staff misplacement • Lack of requisite skills especially on critical positions • Van der Merwe Salary System 	<ul style="list-style-type: none"> • Revision of the organogram • Staff placement • Development of job descriptions • TASK Job Evaluation
Recruitment and Staff Appointment	<ul style="list-style-type: none"> • High staff turnover as a result of lack of recreational facilities and safe accommodation • Moratorium on the filling of positions 	<ul style="list-style-type: none"> • Review of the Municipal Retention Strategy • Optimal use of available resources
Council Structures	<ul style="list-style-type: none"> • Timeous implementation of ExCo and Council Resolutions 	<ul style="list-style-type: none"> • Implementation of the Resolutions Register. • Consequence management for non-implementation of resolutions
Centralized Registry	<ul style="list-style-type: none"> • Appraisal of municipal records and disposal thereof 	<ul style="list-style-type: none"> • Forward a request to Provincial Archives for records disposal

Policies and Procedures	<ul style="list-style-type: none"> • Adherence to municipal policies and procedures is a major challenge 	<ul style="list-style-type: none"> • Work shopping all revised policies to ManCo, LLF, Staff and Council
Labour Relations	<ul style="list-style-type: none"> • Lack of internal capacity to serve as either Prosecutors or Presiding Officers • Lot of disputes referred to SALGBC 	<ul style="list-style-type: none"> • The Municipality in collaboration with SALGA to train middle managers as Prosecutors and Presiding Officers • Addressing labour disputes internally before they are referred to the SALGBC

Key Issue	Challenges	Proposed Interventions
Facilities Management	<ul style="list-style-type: none"> • No ablution facilities and office space for municipal satellite areas 	<ul style="list-style-type: none"> • Procurement of park homes (subject to cost analysis). The number of employees will determine municipal priorities
Fleet Management	<ul style="list-style-type: none"> • Poor Internal Controls which exposes municipal fleet to abuse and vandalism • Safety of municipal fleet • Adherence to Fleet Management Policy 	<ul style="list-style-type: none"> • Development of a Policy for the utilization of fleet allocated to POBs • Capping fuel cards to a certain amount per month and submission of monthly fuel expenditure reports
Productivity and Staff Morale	<ul style="list-style-type: none"> • Productivity of employees is very low which is characterized by high rate of absenteeism and lack of discipline 	<ul style="list-style-type: none"> • Setting the tone at the top (All) • Leading by example (All) • Taking charge of employee management (All) • Development of systems and procedures (HR) • Consequence Management (All)
IT Management	<ul style="list-style-type: none"> • Inadequate Environmental controls in case of Disaster. • Back Up and Recovery Systems • Segregation of duties which may lead to fraud (AG Finding) • Inadequate Change Management Procedure 	<ul style="list-style-type: none"> • Provide budget to implement Fire detection & Suppression system, fire matt, fire door etc. • Procure Backup server for testing of all system updates & releases before deploying to the live environment. • Increased and appropriate utilization of ICT • Provision of personnel to the IT Unit
Skills Development	<ul style="list-style-type: none"> • Shortage of requisite skills to implement the municipal strategic plan (delivering services) 	<ul style="list-style-type: none"> • Empowering employees through focused and continuous professional / skills development • Performance Management

Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)

EMPLOYEE RELATED COSTS FOR THE MUNICIPALITY	
EMPLOYEE RELATED COSTS	Amount
Employee related costs- Salaries and Wages	104 384 331
Contributions for UIF, pensions and medical aids	20 364 415
Bonus	6 217 769
Travel, motor car, accommodation, subsistence and other allowances	20 364 415
Housing benefits and allowances	6 842 098
Overtime payments	1 068 539
Leave Paid	6 802 953
Employee Related Costs	145 745 160

Section 124 (1) (b) Statement by the accounting officer that salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager

Remuneration of the Municipal Manager

Details	Amount – 17/18
Annual Remuneration	1 423 502
Travel, housing and other allowances	159 500
Contributions to UIF, Medical and Pension Funds	13 890
Total	1 596 892

Two people acted for the position of Municipal Manager during the 2017 financial year. A new Municipal Manager was only appointed effective 01 August 2017 and he resigned post 2018 financial year. The CFO was then appointed as the acting Municipal Manager from August 2018.

Remuneration of the Chief Financial Officer

Details	Amount – 17/18
Annual Remuneration	742 091
Travel, housing and other allowances	284 066
Leave paid	10 593
Total	1 036 750

During the 2017 financial year, there was an acting Chief Financial Officer (CFO) and he was paid total remuneration of R1 388 306. A new CFO was appointed on 01 September 2017 and was later appointed as Acting Municipal manager in August 2018, and a new Acting CFO was appointed.

Remuneration of GM: Corporate Services

Details	Amount – 17/18
Annual Remuneration	471 336
Travel, housing and other allowances	167 498
Contributions to UIF, Medical and Pension Funds	162 554
Total	801 388

The General Manager for Corporate Services resigned during the 2017 financial year and two people acted consecutively for the position. A permanent General Manager was appointed in March 2018 and still holds the office.

Remuneration of GM: Community Services, Planning & Economic Development

Details	Amount – 17/18
Annual Remuneration	609 872
Travel, housing and other allowances	118 445
Contributions to UIF, Medical and Pension Funds	7 637
Total	735 954

The contract for GM: Community Services, Planning & Economic Development came to an end in February 2018 and there has been an acting incumbent since March 2018

Remuneration of GM: Technical Services

Details	Amount – 17/18
Annual Remuneration	1 292 800
Travel, housing and other allowances	45 600
Contributions to UIF, Medical and Pension Funds	14 530
Total	1 352 930

The General Manager for Technical Services resigned during the 2018 financial year and a new General manager was appointed and was still holding the office by June 2018.

Remuneration of Councillors

Details	Amount – 17/18
Mayor	738 061
Deputy Mayor	624 764
Speaker	633 968
Executive Committee Members	2 026 944
Councillors	3 183 554
Total	7 207 291

The Mayor

Details	Amount – 17/18
Mayoral Allowance	563 040
Travel allowance	140 760
Cellphone	27 512
Contributions to UIF, Medical and Pension Funds	6 749
Total	738 061

The Deputy Mayor

Details	Amount – 17/18
Annual Remuneration	450 432
Travel allowance	112 608
Cellphone allowance	40 800
Reimbursive allowance	20 924
Total	624 764

The Speaker

Details	Amount – 17/18
Annual Remuneration	450 432
Travel allowance	112 608
Cellphone allowance	40 800
Reimbursive allowance	30 128
Total	633 968

In-kind benefits

- The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.
- The Mayor, Deputy Mayor and Speaker are provided with offices and secretarial support at the cost of the Council.
- All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.
- The Mayor, Deputy Mayor and Speaker have the use of Council owned vehicle for official duties.
- The Mayor and Speaker have two full-time bodyguards and one relief bodyguard

Section 124 (1) (c) There were no arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days.

3.2 Technical Services & Infrastructure Services

As of 30 June 2018, out of **151 245** households, **28% (42 316)** still had no access to portable water and **36% (54 413)** still had no access to basic sanitation services.

Capital Projects - 3-year capital investment plan

UMHLABUYALINGANA LOCAL MUNICIPALITY					
WATER PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	15	Siting, drilling, testing, refurbishment, maintenance and equipping of boreholes, reticulation and distribution in uMhlabuyalingana local municipality	R 0,00	R 5 000 000,00	R 5 000 000,00
MIG	35	KwaNgwanase reticulation extension			R 4 000 000,00
MIG	14	Manguzi Star of the Sea Water Scheme	R 5 000 000,00	-	-
		TOTAL MIG WATER	R 5 000 000,00	R 5 000 000,00	R 9 000 000,00
SANITATION PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	9	Umhlabuyalingana dry sanitation (VIP toilets)		R 7 000 000,00	R 15 000 000,00
		TOTAL MIG SANITATION	R 0,00	R 7 000 000,00	R 15 000 000,00
WSIG					
	#	Project Name	2017/18	2018/19	2019/20
WSIG	1	Greater Mseleni Water Supply Scheme	R 5 000 000,00	R 9 000 000,00	R 12 000 000,00
WSIG	2	Mabibi Scheme Refurbishment	R 2 700 000,00	R 8 000 000,00	R 10 000 000,00
WSIG	8	Mseleni Water Supply Phase 1	R 5 000 000,00	R 0,00	R 5 000 000,00
		TOTAL WSIG	R 12 700 000,00	R 17 000 000,00	R 27 000 000,00
		TOTAL GRANT ALLOCATION UMHLABUYALINGANA LOCAL MUNICIPALITY	2017/18	2018/19	2019/20
		MIG	R 5 000 000,00	R 12 000 000,00	R 24 000 000,00
		WSIG	R 12 700 000,00	R 17 000 000,00	R 27 000 000,00
		TOTAL	R 17 700 000,00	R 29 000 000,00	R 51 000 000,00

JOZINI LOCAL MUNICIPALITY					
WATER PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
	3	Jozini regional CWSS	R 10 000 000,00	R 4 000 000,00	
	4	KwaJobe community water scheme	R 15 000 000,00	R 11 000 000,00	
	6	Shemula water upgrade	R 22 000 000,00	R 17 000 000,00	
MIG	8	Refurbishment of Ubombo water scheme	R 1 561 400,00	R 8 000 000,00	R 0,00
MIG	9	Rehabilitation of existing Shemula Scheme reticulation	R 4 000 000,00	R 4 000 000,00	R 10 000 000,00
MIG	10	Ingwavuma Water Reticulation	R 0,00	R 4 000 000,00	R 15 000 000,00
MIG	13	Kwajobe water reticulation	R 5 000 000,00	R 5 000 000,00	R 0,00
MIG	16	Siting, drilling, testing, refurbishment, maintenance and equipping of boreholes, reticulation and distribution in Jozini local municipality	R 0,00	R 5 000 000,00	R 5 000 000,00
MIG	19	Greater Ingwavuma community water supply scheme	R 2 000 000,00	R 5 000 000,00	R 5 000 000,00
MIG	20	Mhlekezi community water scheme	R 2 000 000,00	R 5 000 000,00	R 5 000 000,00
MIG	22	Refurbishment of Jozini reticulation	R 0,00	R 2 000 000,00	R 5 000 000,00
MIG	29	Mjindi water supply scheme refurbishment	R 0,00		R 8 000 000,00
MIG	37	Mkhuze WTW upgrade	R 16 500 000,00	R 2 000 000,00	
MIG	34	Refurbishment of Nondabuya water supply scheme	-	-	R 5 000 000,00
	TOTAL MIG WATER		R 78 061 400,00	R 72 000 000,00	R 58 000 000,00
SANITATION PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	1	Ingwavuma waterborne Sanitation		R 8 000 000,00	R 10 000 000,00
MIG	4	Refurbishment of Ubombo wastewater treatment works	R 2 000 000,00	R 6 000 000,00	R 0,00
MIG	5	Refurbishment of Manguzi wastewater treatment works	R 2 000 000,00	R 6 000 000,00	R 0,00
MIG	10	Jozini dry sanitation (VIP toilets)		R 6 000 000,00	R 15 000 000,00
MIG	13	Jozini low cost housing sewer upgrade	R 35 000 000,00		R 0,00
MIG	14	Upgrading of the Jozini wastewater treatment plant		R 10 000 000,00	R 854 850,00
	16	Ingwavuma VIP sanitation	R 3 000 000,00	R 3 000 000,00	R 3 000 000,00
	18	Refurbishment & Upgrades of WWTW and sewer networks	R 15 000 000,00		
	19	Thembaletu sanitation	R 6 000 000,00	R 5 560 550,00	R 5 000 000,00
	TOTAL MIG SANITATION		R 63 000 000,00	R 44 560 550,00	R 33 854 850,00
WSIG					
	#	Project Name	2017/18	2018/19	2019/20
WSIG	4	Ingwavuma Interim Water Supply	R 5 000 000,00	R 0,00	R 0,00
	TOTAL WSIG		R 5 000 000,00	R 0,00	R 0,00
TOTAL GRANT ALLOCATION JOZINI LOCAL MUNICIPALITY			2017/18	2018/19	2019/20
	MIG		R 141 061 400,00	R 116 560 550,00	R 91 854 850,00
	WSIG		R 5 000 000,00	R 0,00	R 0,00
	TOTAL		R 146 061 400,00	R 116 560 550,00	R 91 854 850,00

MTUBATUBA LOCAL MUNICIPALITY					
WATER PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	11	Dukuduku water reticulation		R 5 000 000,00	R 5 000 000,00
MIG	12	Bhoboza to KwaMsane Gravity Main Project	R 4 000 000,00	R 0,00	R 0,00
MIG	18	Siting, drilling, testing, refurbishment, maintenance and equipping of boreholes, reticulation and distribution in Mtubatuba local municipality	R 0,00	R 5 000 000,00	R 5 000 000,00
MIG	30	Upgrading of St. Lucia bulk water pipeline	R 0,00	R 0,00	R 7 000 000,00
MIG	31	KwaBhoboza water reticulation	R 0,00		R 5 000 000,00
MIG	33	Mtubatuba water reticulation	R 0,00	R 0,00	R 5 000 000,00
	TOTAL MIG WATER		R 4 000 000,00	R 10 000 000,00	R 27 000 000,00
SANITATION PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	6	Upgrading of St Lucia wastewater treatment works	R 1 000 000,00	R 5 000 000,00	R 0,00
MIG	7	Sewer reticulation upgrade in St Lucia	R 1 000 000,00	R 5 000 000,00	R 0,00
MIG	8	Mtubatuba Sanitation	R 5 000 000,00	R 5 000 000,00	R 0,00
MIG	12	Mtubatuba VIP sanitation	R 10 803 100,00	R 6 000 000,00	R 15 000 000,00
	TOTAL MIG SANITATION		R 17 803 100,00	R 21 000 000,00	R 15 000 000,00
TOTAL GRANT ALLOCATION MTUBATUBA LOCAL MUNICIPALITY			2017/18	2018/19	2019/20
	MIG		R 21 803 100,00	R 31 000 000,00	R 42 000 000,00
WSIG	10	Hluhluwe Phase 2 Water Upgrade	R 5 000 000,00	R 10 000 000,00	R 13 000 000,00

BIG 5 HLABISA LOCAL MUNICIPALITY					
WATER PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
	1	Hlabisa Mandlakazi water scheme	R 7 100 000,00		
	2	Hluhluwe water Phase 1	R 2 000 000,00		
MIG	17	Siting, drilling, testing, refurbishment, maintenance and equipping of boreholes, reticulation and distribution in Big 5 Hlabisa local municipality	R 0,00	R 5 000 000,00	R 5 000 000,00
MIG	21	Hluhluwe Phase 3 water supply scheme	R 5 000 000,00	R 5 000 000,00	R 5 000 000,00
		TOTAL MIG WATER	R 14 100 000,00	R 10 000 000,00	R 10 000 000,00
SANITATION PROJECTS					
	#	Project Name	2017/18	2018/19	2019/20
MIG	2	Refurbishment of Hluhluwe wastewater treatment works	R 2 000 000,00	R 7 000 000,00	R 10 000 000,00
MIG	3	Refurbishment of Hlabisa wastewater treatment works	R 2 000 000,00	R 6 000 000,00	R 5 000 000,00
MIG	11	Big 5 Hlabisa dry sanitation (VIP toilets)		R 6 000 000,00	R 15 000 000,00
MIG	15	Phumlani sewer reticulation	R 5 000 000,00	R 8 000 000,00	R 10 000 000,00
		TOTAL MIG SANITATION	R 9 000 000,00	R 27 000 000,00	R 40 000 000,00
WSIG					
	#	Project Name	2017/18	2018/19	2019/20
		TOTAL WSIG	R 0,00	R 0,00	R 0,00
		TOTAL GRANT ALLOCATION BIG 5 HLABISA LOCAL MUNICIPALITY	2017/18	2018/19	2019/20
		MIG	R 23 100 000,00	R 37 000 000,00	R 50 000 000,00
		WSIG	R 0,00	R 0,00	R 0,00
		TOTAL	R 23 100 000,00	R 37 000 000,00	R 50 000 000,00

DISTRICTWIDE PROGRAMMES					
	#	Project Name	2017/18	2018/19	2019/20
MIG	23	Development of the Water Services development Plan (WSDP)	R 3 000 000,00		
MIG	24	Development of the Sanitation Master Plan	R 2 000 000,00		
MIG	25	Development of Water Safety Plan	R 2 000 000,00	R 1 000 000,00	
MIG	26	Development of Wastewater Risk Abatement Plans (W2RAPs)	R 1 000 000,00	R 1 000 000,00	R 1 000 000,00
MIG	27	Water Conservation and Water Demand Management (WCWDM) Strategy development and Implementation	R 3 000 000,00	R 7 000 000,00	R 15 000 000,00
MIG	32	AC pipe replacement	R 0,00	R 0,00	R 5 000 000,00
WSIG	5	Borehole Development Programme – Phase3	R 3 000 000,00	R 3 000 000,00	R 10 000 000,00
WSIG	6	Rudimentary Programme Phase 6	R 4 300 000,00	R 5 000 000,00	R 10 000 000,00
WSIG	11	Water tanker refill stations	R 4 000 000,00	R 5 000 000,00	R 0,00
		TOTAL	R 22 300 000,00	R 22 000 000,00	R 41 000 000,00

The following water and sanitation projects were implemented by uMkhanyakude District Municipality for 2017/2018 Financial Year funded by MIG:

Water Provision

Access to basic water services were provided to more than 5 000 households exceeding the annual target of 3000. The following projects had a direct impact on the achievement:

- Jozini Regional Community Water Supply Scheme Phase 2A
- Hluhluwe Phase 1 Upgrade
- KwaJobe Community Water Supply Scheme (Ntshongwe/Malobeni)
- Water Conservation and Water Demand Management (WCWDM)

The following challenges were experienced during the financial year:

- Some projects are implemented over multi years where the reticulation which directly benefit the communities can only be done once the bulk water infrastructure has been completed.
- Contractor performances had an impact on the progress of several water projects
- Frequent breaks of bulk lines within the supply water schemes
- High internal leakage rate especially in Ndlovu village and Jozini Low Cost Housing
- Lack of reticulation within Nkodibe, Somkhele, etc
- Lack of maintenance being carried out at plant
- Reservoirs in poor condition due to not being scoured
- When correct pressure is experienced, bursts occur on aging infrastructure
- Damaged infrastructure makes it hard to supply water to the community;
- Aging infrastructure results in many leaks occurring during intermittent supply;

Sanitation

The following sanitation projects successfully implemented, provided basic services to 5007 households exceeding the target of 1400 for 2017/2018:

- Mtubatuba VIP Sanitation
- Ingwavuma VIP Sanitation

Challenges for Technical Services

Challenges	Proposed Interventions
Vacant critical positions	Fill critical vacant positions with appropriately qualified personnel, and review Retention Policy
Lack of planning of infrastructure projects	Develop all water services planning documents e.g WSDP, Water Services Bylaws, Sanitation Master Plan, etc
Over expenditure and failure to complete projects in time	Capacitate both PMU and Operations and Maintenance Divisions with adequate and qualified staff
Inadequate maintenance of infrastructure	Establish 2 or more regional centres, with satellite offices in each water supply scheme area, using locally based people. Implement training schemes for all operations staff, establish performance criteria and career paths for the more capable employees. Work with government institutions and water boards to implement maintenance programmes and the Asset Management Plan
Persistent backlogs	Finalise the WSDP and the O&M plan from the master plan and other reports with help & funding from DWS and DBSA.
Inadequate capacity to properly handle electricity supply function	Sign an SLA with Eskom to take over this role
Lack of record drawings for infrastructure	Establish a working relationship with the GIS department to adequately and continuously store, repair and update information on all projects and operational schemes.

Challenges	Proposed Interventions
Too many non-functional schemes	Prioritise refurbishment projects in the IDP to assist with critical repairs & replacements to damaged, dysfunctional and missing infrastructure, including pumps, motors, controls, building, pipelines, valves, water meters, reservoirs, etc.
Slow progress on projects due to late payments	Improved coordination with the finance department with regards to timeous procurement of funds and payments to all service providers
Illegal connections	Installation of water meters to all customers including identified illegal connections. Undertake effective community education programmes. Establish Water and Sanitation Bylaws to help reduce bad behaviour by legal means.

3.3 Community Services Planning and Economic Development

Local Economic Development (LED)

The economic profile of UMkhanyakude District Municipality is correctly determined by the Local Economic Development (LED), which is Tourism and Agriculture. Community Planning and Economic Development is the main Department that expedites stimulation of uMkhanyakude Local Economic Development and Tourism services. This happens through a lot of cascaded programmes that the said unit has developed. It aligns itself with other components that have the potential in increasing job opportunities and poverty eradication. The district is proactive in assuring the growth of the local business operations. To ensure continued Economic development in the area, the key priorities of uMkhanyakude district include the following:

Core Functions & Services

- Economic development
- Tourism promotion and Development
- Community-based poverty alleviation projects
- Training and capacity building programmes
- Cooperatives and SMME's development.
- Aligning the strategic direction of Spatial Development Plans

a) Key Performance Indicators

- Develop and support SSME's and co-operatives through infrastructure development:
- Co-op and SMME's Development programme
- Tourism Promotion and Development
- Creating Jobs opportunities through LED initiative (EPWP)
- Developing Rural Tourism through adopting Responsible Tourism practices;
- Improving job creation opportunities and tourism service excellence;
- Channel efforts for tourism entrepreneurial opportunities
- Tourism Transformation
- Agri Parks
- Radical Agrarian Socio-Economic Transformation (RASET)

b) LED Structures

- A fully functional District Wide L.E.D /Tourism Forum that sit quarterly
- District wide Informal Economy Chamber/Committee
- District wide Tourism Community Organization (CTO)

c) LED /Tourism Strategy

- Funding secured from EDTEA for the development of District wide LED Strategy
- The terms of reference have been developed and were done in-house
- Identification of stakeholders and establishment of the Project Steering Committee
- Full council approved grant funding

d) Support to Cooperatives

- Four CO-OPS for people with disability supported with startup equipment's
- Closeout report has been done.

e) Informal Economy Chamber

- Informal economy plays a crucial role in improving and contributing a huge percentage to the economy of the district
- District managed to revive the informal chamber for all local municipalities whereby all the chairperson for local municipalities are members of the district forum
- The function of this chamber is to report on challenges faced by informal traders
- Four meetings sat in the financial year 2017/2018
- Quarterly reports were submitted to the Provincial Informal Chamber and to the districts structures

f) AGRI-Parks.

An Agri-Park is a networked innovation system of agro-production, processing, logistics, marketing, training, and extension services located in District Municipalities. As a network, it enables the growth of market-driven commodity value chains and contributes to the achievement of rural economic transformation.

Agri-Parks offer a viable solution in addressing social and economic inequalities, unemployment and poverty by promoting agro-industrialisation within small-scale farming and emerging commercial farming sectors, thus ensuring that the escalated land distribution, more inclusive restitution and strengthen land rights are accompanied by equitable, efficient and well-planned land and agricultural development.

The Department of Rural Development and Land Reform, KZN Department of Agriculture and uMkhanyakude District family of municipalities has embarked on a journey to compile a credible and implementable business plan which will talk to the District farmer's needs.

So far, three commodities have been identified, which are believed to have the desired impact in the quest to change the situation of the district. These commodities are;

- Vegetables
- Livestock and
- Cotton

However, it must be noted that this does not mean these three are the only commodities that you can find in our district, but they are the prioritized commodities. This is in line with the Department of Rural Development and Land Reform that only three commodities are to be identified. Thus far the

District has established a committee called District Agri-Park Management Committee (DAMC) which seeks to represent the interests of the communities of the district.

Implementation plan and business plan have been compiled. A Project Steering Committee called District Agri-Park Operations Task Team (DAPOTT) sits bi-monthly.

g) Radical Agrarian Socio-Economic Transformation (RASET)

A Programme, dubbed Radical Agrarian Socio-Economic Transformation (RASET), for the participation of Farmers with previously disadvantaged backgrounds in the food value chain was initiated following resolutions of the Provincial Cabinet (Resolution 246) on the 6th of July 2016 and resolutions of the MEC's (EDTEA) Consultative Workshop on the 10th of January 2017.

RASET is an empowerment programme for previously disadvantaged individuals (PDIs) to participate in the production, processing and distribution of food within the food value chains.

A Project Team was put together consisting of departmental officials (from DARD, COGTA, EDTEA, MEC, OTP, DOE, DOH and DSD) permanently seconded to the RASET programme. The team started operating during the second week of January 2017 located at the Durban Fresh Produce Market.

The RASET team has, after conducting consultative meetings with the farmers for the whole District, compiled a report for the whole district including models to be used for the programme to be a success and link with the agri-park programme.

These are some of the resolutions that emanated from these engagements with the local communities:

- All stakeholders including Government Departments must assist the Secondary Cooperatives
- Farmers must interact with stakeholders through the Secondary Cooperatives.
- The new Secondary Coop must be a home for all Black African Crop Farmers of South African origin and with previously disadvantaged backgrounds within their Local Municipalities.
- The new Secondary Cooperative should be named after the names of their Local Municipalities

h) Tourism Indaba

Tourism Indaba is an annual trade exhibition profiling all forms of businesses in the tourism industry. The well-established international and domestic tourism businesses attend this event. The event offers a wide array of tourism industry experiences to the emerging tourism enterprises. This year's event was a success and uMkhanyakude District Municipality was able to purchase a stand of 18 sqm for business people within the Elephant Coast region, the brand name common to tourists.

This year's event welcomed over 7000 delegates from 80 countries, 23 of which are African countries. The event was documented by over 600 media. Further to that, this year's event was even more special due to the fact that this is a year of Madiba's Centenary. On day 1 the Elephant Coast / uMkhanyakude stand conducted the briefing session to give a clear picture of what is Africa's Travel Indaba, what is expected to the exhibitors, and the how does the person behave on the stand and effective ways of welcoming the guests who visiting the stand, over and above to keep professionalism in the stand and market the District as much as possible.

i) Tourism Promotional Material

The core competence of the uMkhanyakude District Municipality tourism unit is marketing; it bridges the public and private sector objectives and operates with a level of flexibility to ensure the destination can be competitively positioned. Creation and co-ordination of tourism experience routes across its district and beyond municipal boundaries is also core competence. Above that, tourism is one of the economic drivers for the District.

To procure promotional material, including participation at domestic tourism events, where such materials are distributed to potential tourists and tourism investors. Through these events, previously the District Municipality has managed to attract investment to the value of more than R10 million.

j) District Investment Strategy

The Provincial Department of Economic, Tourism and Environmental Affairs did a study for UMkhanyakude District Municipality. The study has been finalised and. It was adopted by Council.

k) Tourism Development and Promotion

Tourism has been identified as one of the six fixed priority areas in the New Growth Path (NGP). UMkhanyakude District Municipality through its Tourism Development and Promotion programme aims to engross towards the marketing and further identification of the already existing but unremarkable tourism products and services within the area. The focus of UMkhanyakude District Municipality is on both development and facilitation of tourism growth within the area. This is through providing support to a variety of public and private tourism key stakeholders at UMkhanyakude Stimulating Domestic Tourism and Education.

- Good relationship with tourism and LED sector departments and other relevant stakeholders.
- Participated in the Projects Steering Committee meetings for KZN-Sodwana Bay – Amangwane Community Lodge.
- Participated on Local Municipalities LED/Tourism Forums.
- Participated in the Environmental Management Meetings.
- Participated on CTO meetings and AGMs
- Participated on a 4 Provincial Tourism Forum meeting
- Participated on 4 PTIC Meetings (Provincial Tourism investment committee, chaired by MEC Sihle Zikalala)
- Submitted Tourism projects proposals to National Department of Environmental Affairs for funding.

I) Sector Departments Funded Projects

We managed to secure funding for the following tourism projects

Project name	Description	Location	Funding	Lead department	Status
Ingodini Border caves feasibility study	Feasibility study	Jozini LM	R1 Million	EDTEA	In progress
LED/Tourism strategy	Strategy development	District-Wide	R700.000	EDTEA	In progress
Amangwane Community Lodge	Accommodation facilities	UMhlabuyalingana LM	R18 Million	Department of Environmental Affairs	In progress

Environmental Health Services

The municipal health services focus on the key performance areas as defined in the national health act. According to the Municipal Structures Act 1998 (Act no117 of 1998) section 84(1), Municipal health services is the responsibility of the District Municipality

a) Health and Hygiene Education Strategy

- Health and hygiene education is one of the programmes that is used to create awareness to communities with an aim of reducing communicable diseases more especial those that are related to water and sanitation.
- The section did well in this financial year since the target of health and hygiene awareness campaigns was exceeded.
- The section targeted to conduct 4 campaigns but 6 have been conducted. The environmental health practitioners are working hand in hand with the department of water and sanitation within the district to ensure that health education is conducted in all local municipalities

b) Water Quality Monitoring.

- Water quality monitoring is one of the programmes that supposed to be conducted on weekly basis to identify causative organisms that is found in water consumed by the public. The section planned to take 720 water samples,
- 363 water samples taken in this financial year of which 128 were compliant and 235 were not compliant. This revealed that the communities are at a high risk of getting communicable diseases those that are related to water and sanitation

a) Food Control

- The Environmental Health Practitioners normally conducts health assessments in food premises with an aim of ensuring compliance to regulations stipulated in R962 that is framed under National Health (Act 63 of 2003). This is done on weekly basis and if food is found to be unsound is confiscated and condemned at the dump sites recommended by Environmental Health Practitioner.
- 16 trainings were conducted on food safety protocol to all informal traders in all local municipalities. The target was achieved for 2017/2018.
- 144 food samples targeted but only 59 samples taken in 2017/2018 financial year. Sampling was very low due to none availability of resources within the municipality.

b) Waste Management

- Waste is a major problem in all local municipalities and no municipality is complying to waste management act. This is putting a risk to people residing to this municipality of getting a plague disease that is transmitted to humans by certain rats.
- The district municipality planned to conduct clean-up campaigns in all local municipalities and this target was achieved.
- The hygiene status in our local municipalities have improved and this will prevent the spread of communicable diseases through breeding of flies and other vectors

SPECIAL PROGRAMMES SECTION

HIV and AIDS Programme

- District AIDS Council Meeting has targeted 4 meetings to sit in a quarter, all quarters has been achieved.
- One outreach programme was achieved on 26 April 2018 at Makhasa, it was an awareness campaign against sexual assault, teenage pregnancy, substance abuse and stigma reduction.
- District Training workshops for People Living with HIV and AIDS (PLWHA) on Multi-sectoral response on HIV and AIDS, TB & STI'S was achieved on 15-16 June 2018.
- District training workshop for Traditional Health Practitioners(THP'S) on Multi- Sectoral response on HIV and AIDS, TB and STI'S was achieved on the 21-23 April 2018
- World AIDS Day was commemorated on 01 December 2017 at uMhlabuyalingana Local Municipality
- Multi Sectoral District Implementation Plan on HIV and AIDS, TB and STI'S (MDIP) 2017-2022 for HIV, TB and STI'S was achieved, awaiting for a printout from the OTP.

Youth & Sports

SUCSESSES

- The District participated in SALGA games with 8 Codes and got Gold in Football males and both Volleyball males and females held at King Cetshwayo District Municipality in December 2017.
- The District participated in the Provincial Indigenous Games Festival in August 2017 at uThukela District Municipality.
- The district hosted the Inaugural District Sports Awards in June 2017.
- The District supported other sports codes with transport to the provincial events.
- The District hosted the District Youth summit that deliberated on issues affecting young people and took resolutions.
- The District participated in the Provincial youth programs i.e. summit to develop KZN Youth Development strategy and Policy.

CHALLENGES

The Municipality has been under Administration – section 39 (a) for a long time , thus resulting to the following problems:

- The unit is under budgeted and we had to rely on Local Municipalities for the support.
- Unavailability of transport for the Coordinator to attend to other activities.
- The shortage of budget hinders the support for other sports development programs.
- There is no Youth Manager in this section contrary to the Youth Parliament and Government Lekgotla resolutions that all Municipalities must have a Youth Directorate with the Youth Manager.
- ✓ Youth development is also under budgeted and which results in the non-implementation of other programs.
- ✓ The non-implementation of Youth summit resolutions.

Arts and Culture

The following Artists activities were successfully supported

- The Choral Workshop for Youth-in -schools was conducted on 21 March 2018 in order to skill them for the forth coming local, District, Cluster, Provincial and National Competition
- The Choral Competitions for Youth-in-schools were successfully supported: 4 Pianos were bought by the District Municipality to support the Young choristers in order to develop and nurture their talent.
- The Artists Competitions were run in all 4 Local Municipalities to identify one Artist per LM to be afforded the recording deals each. Those 4 Artists will be recorded in the next financial year 2018/19.

Disability and Children

The following achievements were realised in 2017/18

- All four Disability Forum meetings were able to sit including the Special Forum meetings.
- The Disability Sports and Beauty Contest took place with success and the District obtained second position at the Provincial level.
- Two Campaigns took place: One relating to abuse against children and one in connection with abuse against Disability.
- Children's Parliament was attended and three of the District's Children excelled in their presentations and performances.

Gender and Senior Citizens

The following were achieved:

- The Senior Citizens District, Provincial and National Golden games took place. The District Team attended and many were selected for both the Provincial and National Games.
- Campaign against abuse of Senior Citizens was hosted at Big 5 Hlabisa Municipality
- Gender District and Provincial Meetings were attended to discuss issues affecting Women and Men.
- District Women Celebration took place very successfully with the support of the National Department of Arts and Culture.

EPWP 2017/2018 Annual Report

Outcome Statement of EPWP Grant

The National Department of Public Works had determined that this grant allocation should be utilized to implement projects of infrastructure sector and Environment culture sector the list below indicates the focus areas from which to select EPWP project (without necessarily being limited to these infrastructure sector:

- Road maintenance and the maintenance of building
- Low traffic volume roads and rural roads, basic services infrastructure including water and sewer reticulation
- Pipelines and dams (excluding bulk infrastructure)

Executive Summary

At uMkhanyakude District Municipality, infrastructure sector, environment and culture sector remain the main mechanism that lead to active participation of the Expanded Public Works Programme (EPWP). The municipality is trying to engage on efficient implementation of the programme through a conditional grant of R 1 008 000.00 that was received from the National Department of Public Works allocated for 2017/2018 financial year.

As part of compliance, uMkhanyakude District Municipality successfully developed the EPWP Policy which guides the implementation of this programme. Having noted that, this report serves to present the quarterly evaluation of the EPWP performance. This is also in compliance with 2013 Division of Revenue Act No 2 of 2013 which clearly outlines the duties of the grant receiving officer in respect of Scheduled 4 allocations.

SWOT Analysis

The analysis could be summarized as follows:

Strengths : Creation job opportunity
: Increase service delivery

Weaknesses : Limited budget
: Non availability of staff
: Support from user department
: Lack of exit strategy

Opportunities : Poverty alleviation
: Environmental sustainability
: Labour intensive methods

Threats : This programme is accommodating a small number of participants where as we have a high number of unemployed youth in uMkhanyakude.

Conclusion and Recommendations

The EPWP is one of the main poverty alleviation platforms that uMkhanyakude District Municipality has productively engaged on. The grant has been of a very high assistance though it has been observed that the municipality has to spend more than the received grant. It could therefore be recommended that the grant be properly projected considering increment of the current wages and new appointments, not compromising safety clothing and other necessities for EPWP and for the municipality to excel in implementing this programme.

Status of Umkhanyakude Disaster Management Centre

UMkhanyakude District Municipality has a functional District Disaster Management Centre (DDMC) which is established in terms of Disaster Management Act No. 57 of 2002 as amended in 2015. The various institutional measures have been established to ensure compliance with disaster management legislation and policies.

The disaster management centre is fully operational and has a fire station adjacent to it. This fire station is shared between the DDMC and The Big 5 Hlabisa Local Fire Department. The building is controlled by uMkhanyakude District Municipality including maintenance and up keep of building. The images below depict the Disaster Management Centre and the adjacent fire station.

Status of IGR Structures

- **District Disaster Risk Management Practitioners Meeting**

The District Disaster Risk Management Practitioners forum has been established and comprises of all four (4) Local Municipalities of UMkhanyakude District which are Jozini, Mtubatuba, Big 5 Hlabisa and uMhlabuyalingana. The Practitioners meeting last sitting was on the 9th May 2018.

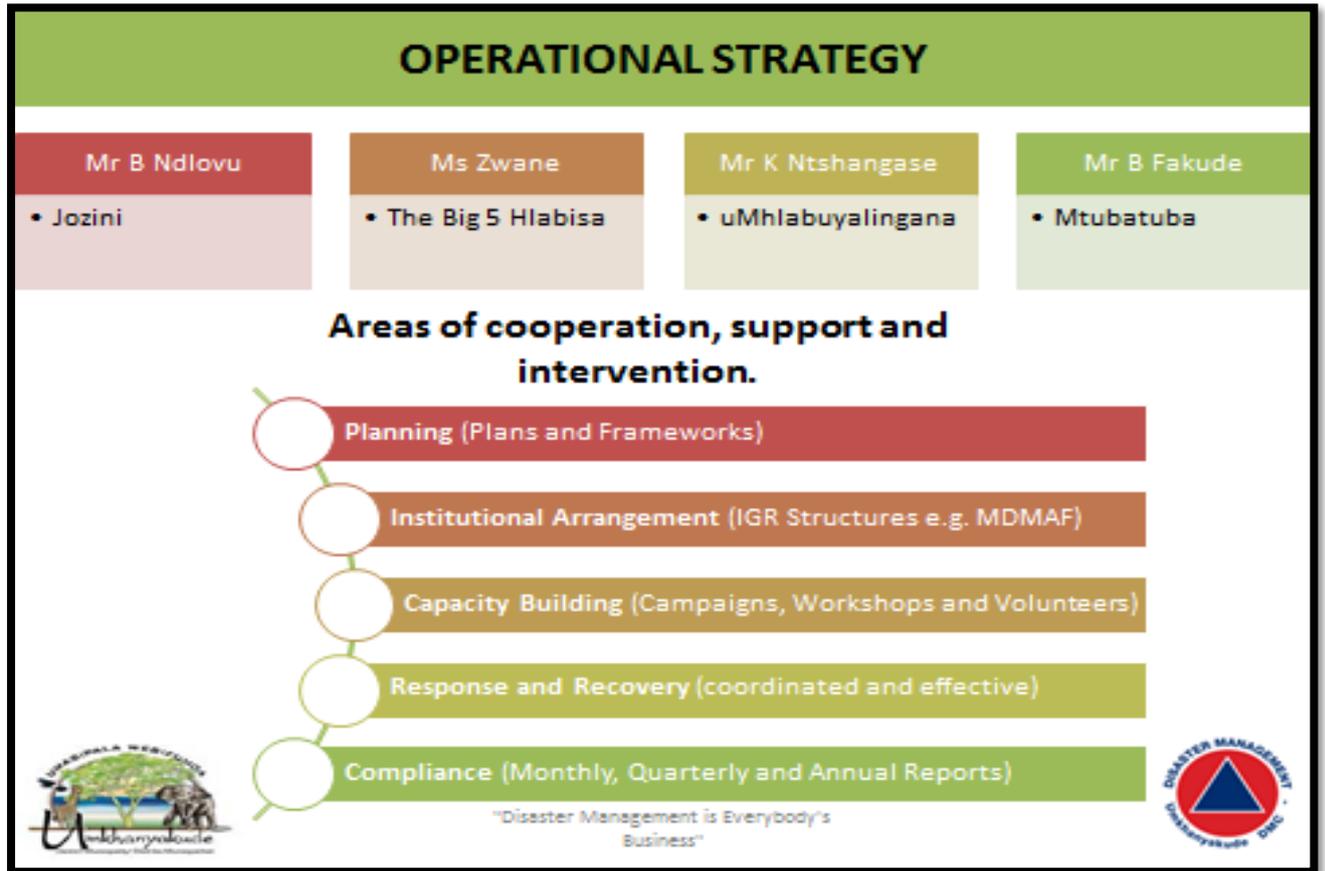
- **District Disaster Risk Management Advisory Forum**

The DDMAF seats quarterly and is very successful although there is a steady decline in the attendance of government departments various, and other stakeholders that take part in these seating's. The forum last sitting was on the 10th of May 2018 at the uMkhanyakude UDDMC boardroom. Out of four local municipalities, two of them have established Disaster management advisory forums which are, uMhlabuyalingana and Mtubatuba local municipalities. Jozini and Big 5 Hlabisa are not compliant.

Status of Disaster Management Capacity at Umkhanyakude District

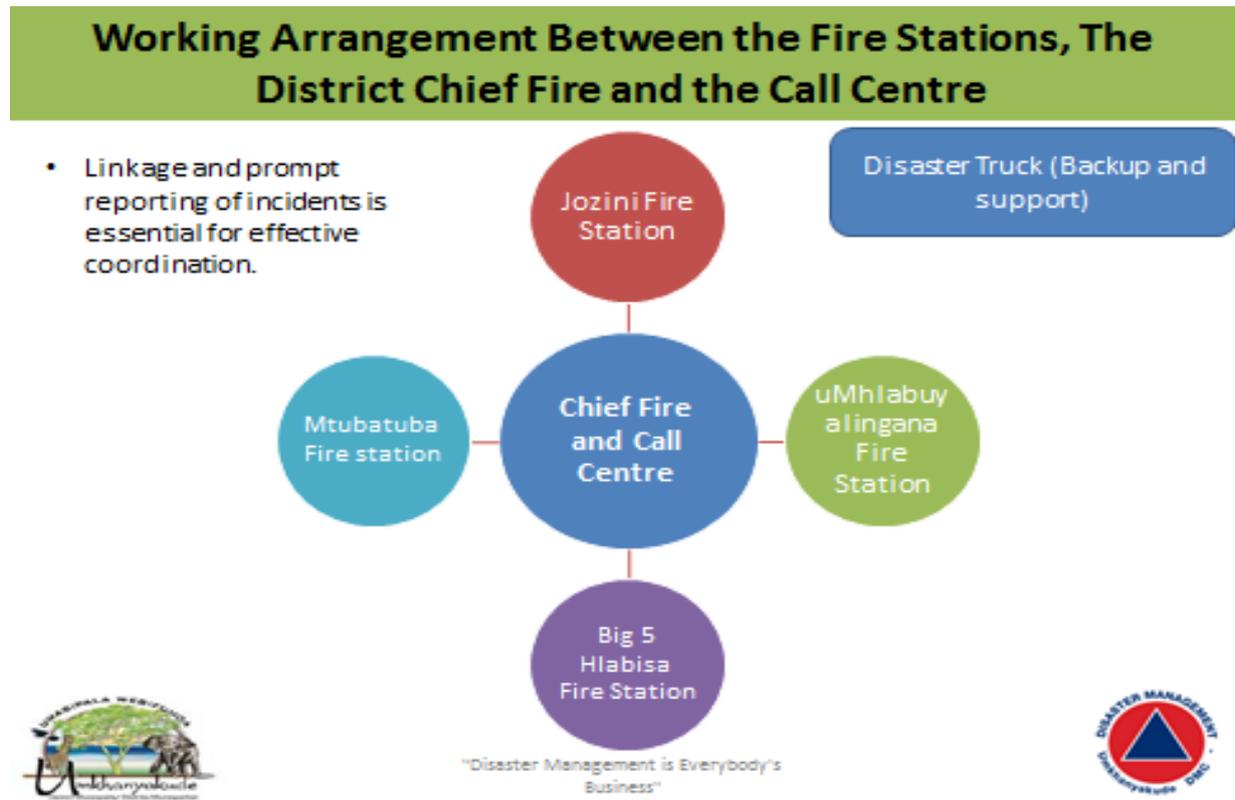
UMkhanyakude District Municipality has a functional District Disaster Management Centre, with the Manager already appointed, Mr SE Mngoma. The Manager is supported by four Disaster Management Officers who are strategically allocated to local municipalities to ensure the fulfilment of the Disaster Management mandate as per KPAs and Enablers. The officers offer technical support to the local municipalities and fulfil all the requirements set in the job descriptions and UKDM SDBIP. The diagram below depicts how the organisational structure of the district disaster officers is set and their primary responsibilities.

Figure 1: Areas of Cooperation and deployment of disaster management officers



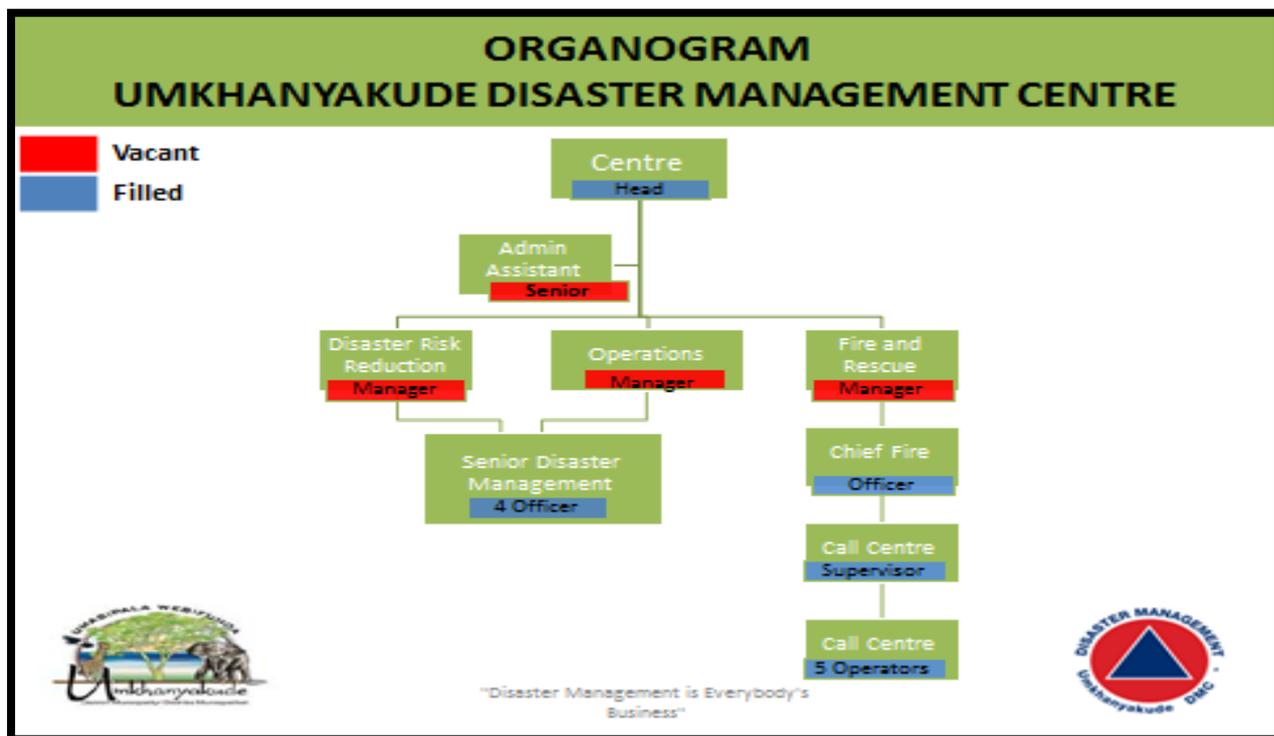
The Disaster Management Officers are executing various milestones and mainstreaming disaster management through awareness campaigns and capacity building programmes. Furthermore, the Provincial Disaster Management Centre offers support with disaster relief material, as well as strategic support.

6.3 FIRE & RESCUE SERVICES



The Chief Fire Officer and call centre Supervisor they support municipalities when responding to fire incidents. The five control centre operators, as employees of the district municipality are responsible for call taking, dispatching and reporting incidents. They offer support to the responding agencies during incidents. The organogram below is the current existing one which only includes the UKDM Disaster Management Team.

Figure 2: District Disaster Management Organogram



Status of Umkhanyakude District Disaster Management Plans / Framework

- **Disaster Management Framework**

As required by Section 53 of the Disaster Management Act No.57 of 2002, as amended in 2015, uMkhanyakude District Disaster Risk Management Policy Framework has been established and approved by council, and it is now being implemented. All four local municipalities are currently using Disaster Management Policy Framework of uMkhanyakude District.

- **Disaster Management Plan**

The District Disaster management plan has been drafted and still in the process of being adopted by Council. The disaster management sector plan that is aligned with the IDP is in place. It is important to note that hazards and disaster risks are dynamic and this calls for various methods to be used in ensuring that an accurate risk profile for the district is carried-out to inform the development of the plan. All four local municipalities have developed their own Disaster Risk Management Plans, and have all been adopted by respective councils.

RESPONSE AND RECOVERY

• **ANNUAL INCIDENTS (JULY 2017 TO JUNE 2018)**

The district has experienced a significant decrease in the number of incidents during the first quarter. There is a slight increase of incidents during the second quarter. The trend analysis graph also shows that December 2017 had the highest number of people that were affected and May 2018 indicates the highest number of incidents that were reported.

During 2017/18 financial year **three hundred and fifty-six (356) incidents**, a total number of **five thousand, three hundred and twenty-four (5324) people** were affected, this is coupled with **one thousand, one hundred and eighty-one (1181) affected households**. Emphasis still needs to be put on awareness campaigns whilst the issue of capacity is still a challenge. The incident analysis graph below depicts the above mentioned information.

• **INCIDENTS ANALYSIS**

Figure 3: Trend Analysis Graph

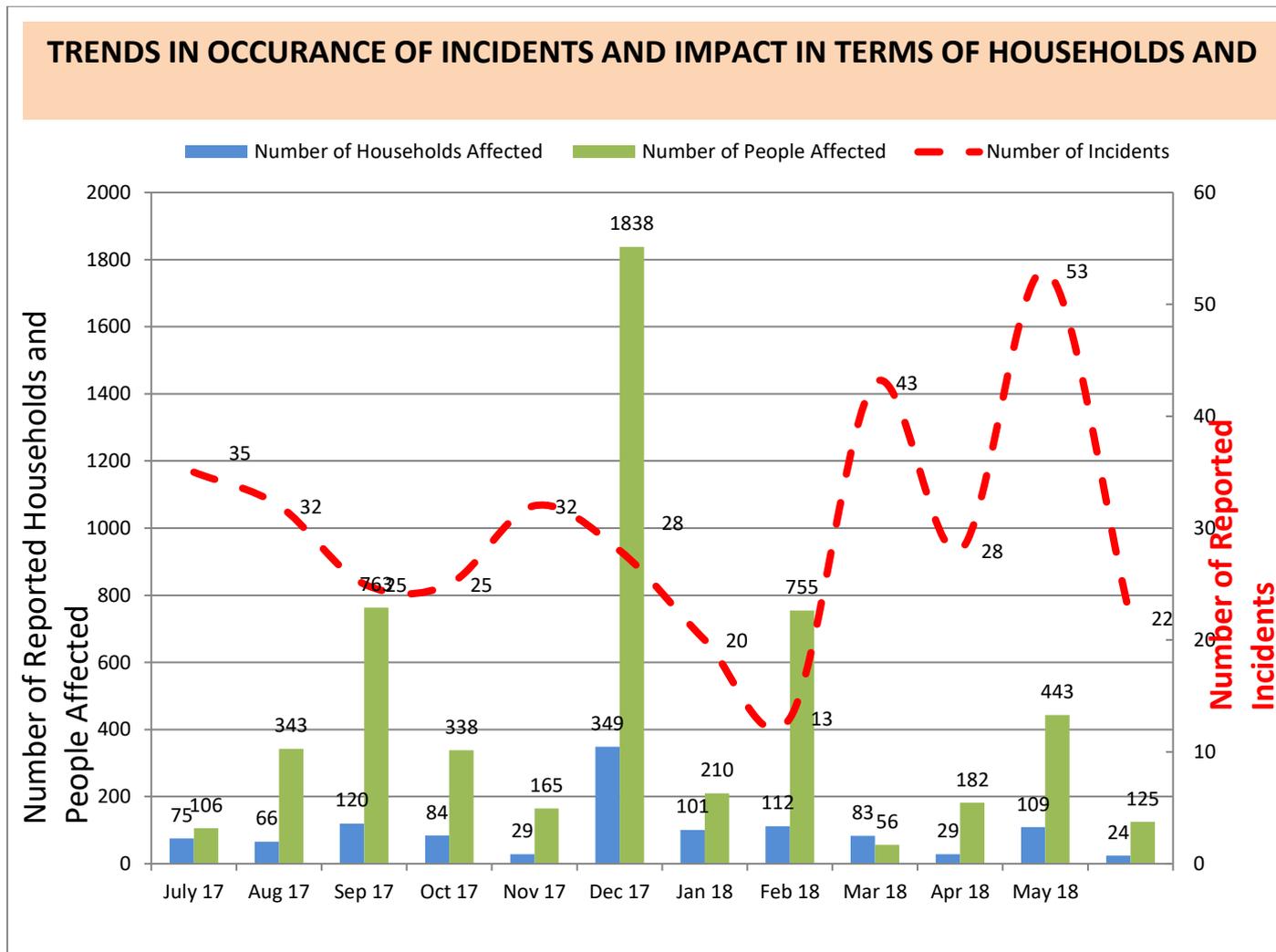
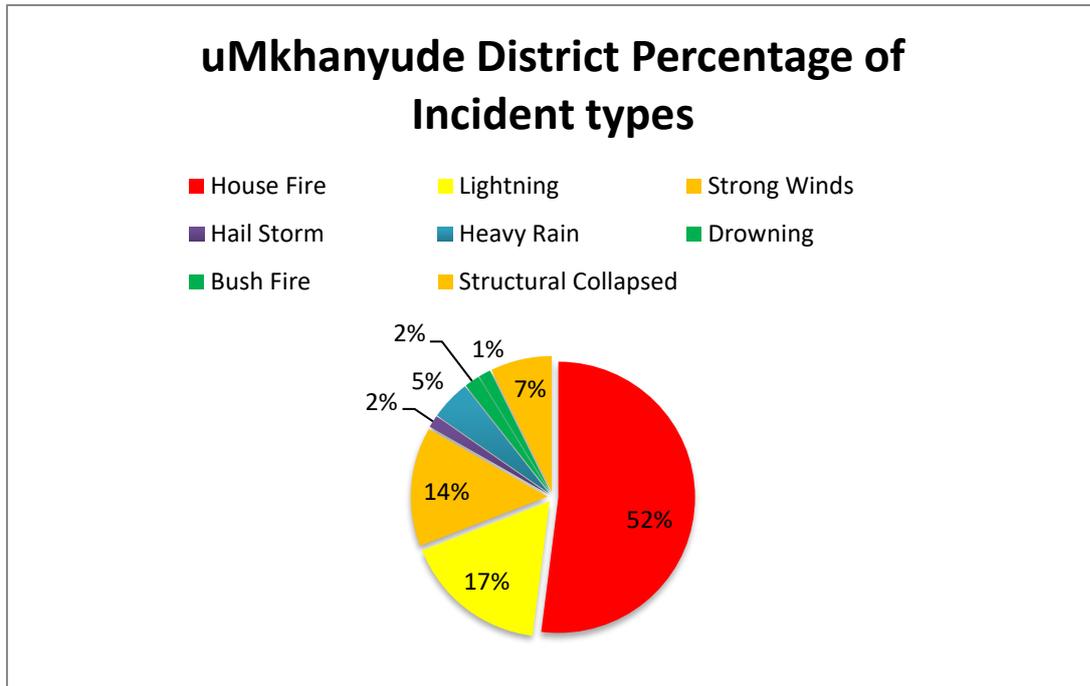
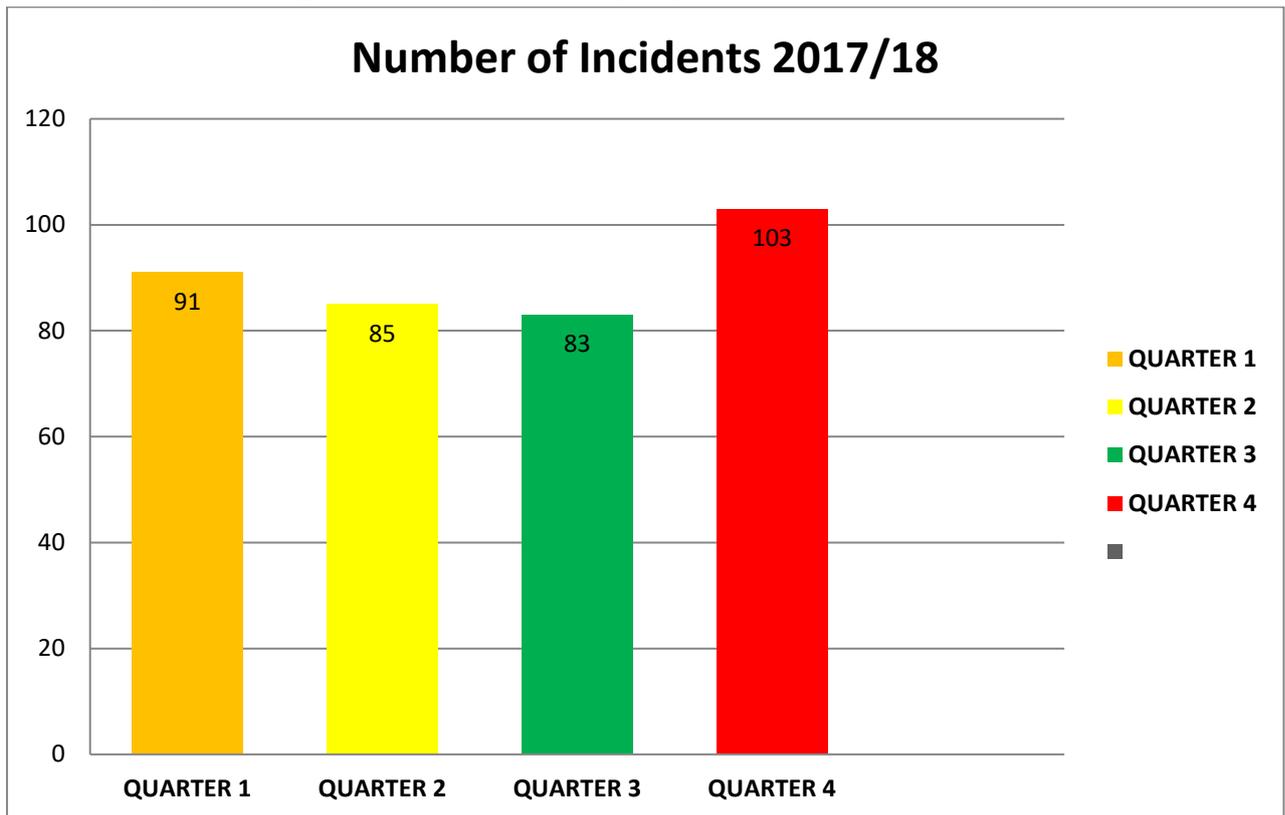


Figure 1 indicates the incidents in percentage, during 2017/2018 financial household fire continued to dominate within with highest the number of 52% incidents reported within the four local municipalities under uMkhanyakude District Municipality, see pie chart below.



7.2. Bar Graph indicating the number of Incidents per quarter



MATERIAL ISSUED

The table below indicates the relief material issued by the local municipalities and district to the affected families Provincial Disaster Centre supported with relief as well. See table below.

Table 3: Material issued to the affected communities

Quarter	Blankets	Tents	Plastic Sheeting	Mattresses	Emergency Temporal Shelter	Kitchen Box
Quarter 1	99	28	11	25	4	0
Quarter 2	26	18	48	09	0	0
Quarter 3	33	9	13	12	2	0
Quarter 4	114	25	14	54	0	10
Total	272	80	86	100	4	10

Table 4: uMkhanyakude Capacity Building and Awareness Campaigns Conducted

Disaster Management and Fire Awareness Campaigns		
Platform	Place /Area	Total
Community Awareness	<ul style="list-style-type: none"> • KwaMsane • Makhowe • Mganwini • Makhowe (Emadulwini) • Odakaneni • Mpembeni Clinic • Nhlwathi Clinic • Gateway Clinic • Ekuthukuzeni area • Danishini Hall • Nonjinjikazi • Mlingo HALL • Makhonyeni Hall 	13
Traditional Authorities	<ul style="list-style-type: none"> • Mbila T Authority at uMhlabuyalingana • Mashabane T Authority at uMhlabuyalinga • KwaMduku Traditional Authority at Big 5 Hlabisa 	Total 3
School Awareness Campaigns	<ul style="list-style-type: none"> • Mgabadeli Primary School • Bongani Pre-Primary School • Ekudilikeni Primary School • Zineshe Primary School • Khindi Jobe High School • Jozini Primary School • Ntuthuko Special School • Sivananda Primary School • Inkosi HP Gumede School • Ekuseni Primary School • Malusi Primary School • INgutshane Primary School • Endlondlweni Primary School • KwaSonto Primary School • Ekwakheni Primary School • Nqxiwaneni Primary School 	
		Image13:Qhubeka Primary School in Mtubatuba

- Sonkabi Primary School
- IsikhiyeseMpilo Pre-primary School



- Thandizwe Primary School
- Ncabakazi P. School
- Mavuso high school
- Inhlwathi Primary School
- Mbazwana Primary School
- Nhlabanyathi High School
- Esigedeni Secondary School
- Mphakathini Primary School
- Sodwana Bay Primary
- Dllilanga High School
- Bathate Primary School
- Ndukebandla Primary School
- Ndimande High School
- Nomaganga Primary School
- Qalindlela Primary School
- Mfanela Primary School
- Nondumiso Primary School
- Advent hope Cristian school
- Bhekamangwane primary school
- Mdinwa primary school
- Mdudla primary school
- Sambane Primary School.
- Siyakhanya Primary School
- Esiqiwini High School
- Fukula Primary School
- Sphelele Primary
- Dibase High School
- Asiphikelele High School
- Monzi Primary School
- Mqhiyama primary school
- Zama Zama primary school



Image 15 :George Caltex Primary at uMhlabuyalingana



Image 16: Izineshe Primary School Jozini Ward 3

	<ul style="list-style-type: none"> • Mango Primary school • Thongwana High School • Emalangeni Primary School • Nordale Outreach School • Simeleni Primary School • Mseshi Primary School • Star of the Sea Primary • Umfolozi High School • Nkodibe High School • Qhubeka Primary School • Zitike Primary School • Shikishela Primary School • Mnotho Primary School • Nkosikayingangathi High School • Nkosana High School • Kwasonto Primary School • Mzila Full Service Primary School • Sizofika Primary School • Mqobela P. School • Vululwazi P. School • Kwa-Zibi Primary School • Bazaneni Primary School • Silethimfundo High School • Ntulabakayise High school • Nomaganga Primary School • Mpelenyane Primary School 	
		<p>Image 17: Mgabadeli Primary School Big 5 Hlabisa</p>
		
		<p>Image 18: EKwakheni Primary School Mtubatuba</p>
<p>Total</p>	<p>74</p>	

<p>War Rooms/ OSS</p>	<ul style="list-style-type: none"> • Madonela Hall • KwaMduku Clinic • Ezimpondweni Clinic • Mnqobokazi Area • Mseleni Childrens Home • Madonela Community Hall • Jozini Municipal Offices • Manyiseni Skills centre • eSihlangwini Comm-Hall • Nkungwini Comm-Hall • Lifaletu School • Tusong Centre • Msiyane Hall • Nontshwiliza hall • Mphakathini hall • HluHluwe • Welcome Community area • Mvelabusha area • Biva Area • Dinabantu Area/Hall • Mganwini Community Hall • Mganwini Community hall1 • Mpembeni Community Hall • Mlingo Village Hall • Welcome area • Mvelabusha area • Mlingo /Mkuze • Bazanene Hall • Koseme 	 <p>Image 19 :Ebanzaneni area ward 11 Big 5 Hlabisa</p>
		 <p>Image 20: Welcome area ward 14 Umhlabuyalingana</p>
<p>Total</p>	<p>29</p>	
<p>Fire Drills</p>	<ul style="list-style-type: none"> • Zamazama Clinic • Manguza Library • Shoprite Mtubatuba Plaza • Ocean basket Mtubatuba • Ocean Sizzler Mtubatuba 	

		
	Image 21: Shoprite Plaza at Mtubatuba	Image 22: Manguza Library uMhlabuyalingana
Total	5	

Table 5: Workshop and Trainings

Municipality	DATE	People trained	WARD	NUMBER OF PEOPLE
UMhlabuyalingana	18 September 2017	Carrier Guardiances	09	145
Jozini	30 November 2017	Disaster Management Councillors Workshop	11	Councillors from all 20 Wards and municipal officials
uMhlabuyalingana	14 June 2018	Aviation workshop		
	19 June 2018	Risk Assessment Workshop		
	TOTAL			4

6.4 PREVENTION AND MITIGATION MEASURES

- FIRE AND RESCUE SERVICE (FIRE SAFETY INSPECTIONS)**

Table 6 uMkhanyakude District Fire and Rescue Services conducted several fire inspections whereby they found out some of the institution were complying and other were not complying with fire and safety regulations.

NAME OF FACILITY	DATE	MUNICIPALITY	DESCRIPTI ON OF ACTIVITIES	COMPLIANCE YES /NO	ACTION TAKEN
Hhayi Bo	06/10/2017	Jozini	Fire Safety Inspection	YES	A compliance Certificate issued
Mtubatuba Cash & Carry	13/10/2017	Mtubatuba	Fire Safety Inspection	YES	A compliance Certificate issued
Mtuba Nandosi	30/10/2017	Mtubatuba	Fire Safety Inspection	YES	A compliance Certificate issued
African Flame Grilled	30/10/2017	Mtubatuba	Fire Safety Inspection	YES	A compliance Certificate issued

Makatakata Bay	30/10/2017	Mtubatuba	Fire Safety Inspection	YES	A compliance Certificate issued
Coastal Farmers	30/10/2017	Mtubatuba	Fire Safety Inspection	YES	A compliance Certificate issued
Mbazwane INN	27/11/2017	Umhlabuyalingana	Fire Safety Inspection	No	None
Coral Divers Restaurant	27/11/2017	Umhlabuyalingana	Fire Safety Inspection	No	None
Macar Joe Restaurant	27/10/2017	Umhlabuyalingana	Fire Safety Inspection	No	None
Phumula Lodge	28/11/2017	Mtubatuba	Fire Safety Inspection	No	None
Mozi Safari	28/11/2017	Mtubatuba	Fire Safety Inspection	No	None
Brazzer Ocean Lodge	28/11/2017	Mtubatuba	Fire Safety Inspection	No	None
Emseleni Children Home	01/12/2017	uMhlabuyalingana LM	Fire Safety Inspection	YES	A compliance Certificate issued
Joyhouse Primary school	5/04/2018	Jozini	Fire Safety Inspection	Yes	A letter with recommendations sent
Ezibukweni School	19/04/2018	Jozini	Fire Safety Inspection	NO	A letter with recommendations sent
Jozini Health care Centre	16/04/2018	Jozini	Fire Safety Inspection	Yes	A letter with recommendations sent
Mandla Mthethwa school of excellence	23/04/2018	Jozini	Fire Safety Inspection	Yes	A letter with recommendations sent
Ndumo rental house	24/04/2018	Jozini	Fire Safety Inspection	No	A letter with recommendations sent
Hluhluwe Guest House	24/04/2018	Big 5 Hlabisa	Fire Safety Inspection	No	A letter with recommendations sent
Bonjour N2 Total garage	31/05/2018	Big 5 Hlabisa	Fire Safety Inspection	Yes	A letter with recommendations sent
Boxer Store	13/06/2018	Jozini	Fire Safety Inspection	Yes	A letter with recommendations sent
Mseleni Hospital	11/06/2018	uMhlabuyalingana	Fire Safety Inspection	NO	A letter with recommendations sent

Mtubatuba Building Hardware	21/06/2018	Mtubatuba	Fire Safety Inspection	No	A letter with recommendations sent
Mkhuze Capitec	15/06/2018	Jozini	Fire Safety Inspection	Yes	A letter with recommendations sent
A new Hotel Hluhluwe and Safaris	28/06/2018	Big 5 Hlabisa	Fire Safety Inspection		Fire brigade was conducted the business inspection at Anew hotel, it was going well all things that we needed were in order according to fire department. They qualify to get compliance certificate.
Hluhluwe Guest house	28/06/2018	Big 5 Hlabisa	Fire Inspection		Fire brigade was conducted the business inspection at Hluhluwe Guest House, it was going well all things that we needed were in order according to fire department although they have no hydrant and fire hose reel, they qualify to get compliance certificate.
SASA	19/06/2018	Big 5 Hlabisa	Fire Inspection		Fire team conducted a fire inspection at SASA Department in Hlabisa Town and they are something's which need to be fixed of which the majority of them were in good conditions.
Bafana Bafana Shop	26/06/2018	Big 5 Hlabisa	Fire Inspection		Fire team were to conduct and inspection to this shop which is location in Hlabisa Town and the do not qualify for compliance certificate.
Ocean Basket	18/06/2018	Mtubatuba	Fire Inspection		Compliant with SANS 10400
Phumlani Lodge	18/06/2018	Mtubatuba	Fire Inspection		Not compliant with SANS 10400
St Lucia ECO Lodge	18/06/2018	Mtubatuba	Fire Inspection		Compliant with SANS 10400
St LUCIA Safari Lodge	18/06/2018	Mtubatuba	Fire Inspection		Compliant with SANS 10400
Vusi's Shisanyama	18/06/2018	Mtubatuba	Fire Inspection		Compliant with SANS 10400
Wimpy St Lucia	18/06/2018	Mtubatuba	Fire Inspection		Compliant with SANS 10400
Kzuzi St Lucia	28/06/2018	Mtubatuba	Fire Inspection		Not Compliant with SANS 10400
Total	34				

6.5 INSTALLATION OF LIGHTNING CONDUCTORS

Lightning conductors are installed to protect community, structures as well as livestock in the event of lightning. If lightning strikes, it will be redirected to the conductor, and the lightning transferred harmlessly

to ground. During 2017/18 the Provincial Disaster Management Centre supported the local municipalities with 60 lightning conductors and uMkhanyakude District with 20 lightning conductors.

FIRE BRAKES/ BELTS

Fire-breaks contribute to protection of humans, structures, infrastructure and livestock from bushfires during the dry season, isolating separate areas by wide strips designed to reduce or stop the progression of fire. This is an important technique to control or prevent fire, especially when used together with other fire prevention and control measures. Not much fire brakes were conducted in 2017/18 financial year and it because most of uMkhanyakude areas had no grass due drought season.

MUNICIPALITY	DATE	AREA
UMhlabuyalingana	23 July 2017	Kwansukumbili area
UMhlabuyalingana	28 July 2017	Mvelabusha
TOTAL NUMBER OF FIRE BRAKES		02

6.6 DISASTER MANAGEMENT AND FIRE INITIATIVES

• FIRE FIGHTERS DAY CELEBRATION

Firefighters dedicate their lives to the protection of life and property. Sometimes that dedication is in the form of countless hours volunteered over many years and at times even their lives. On the 13th of June 2018 UMkhanyakude District hosted International fire fighters' day celebration. Fire fighters from the four Local municipalities, different stakeholders from the emergency unit RTI, SAPS, EMRS, working on fire, Transnet to mention the few, as well as councillors and the community members were invited.

The celebrations started at 9:30 at R22 road next to the tourism notice board where there was a road block. Different awareness campaign pamphlets from stakeholders were distributed at the road block including the Disaster Management pamphlets. The main purpose of the road block was to create awareness to public about the disaster and fire hazards that have a huge impact in uMkhanyakude district.

After the road block all emergency vehicle made a convoy to the main venue next to Home Affairs. Working on fire came in their numbers and they executed a fire drill and the District firefighters performed an extraction demonstration, a vehicle extrication using Jaws of Life, and there were people trapped in the vehicle. Each fire station received two full sets of Self Contained Breathing Apparatus (SCBA) and eight fire beaters as part of support and appreciation of fire fighters. In table below are the pictures of the event.

Table 8: Images depicting uMkhanyakude Fire Fighters Day Celebration at Huhluwe



SECTION 15 EVENT SAFETY AND SECURITY PLANNING COMMITTEE MEETING

During the 2017/2018 financial year the disaster management team engaged in event planning meetings. The plenary meetings were attended to ensure that risk or threats likely to affect the event are identified and that safety measures are implemented.

MUNICIPALITY	DATE	TYPE / NAME OF EVENT	Venue	EVENT CATEGORISATION
Umhlabuyalingana	13/02/2018	Plenary meeting for UMthayi Festival	Mfihlweni Royal Residence	Medium Risk
Jozini	19/02/2018	Plenary meeting for UMthayi Festival	Engwavuma Emacobeni	Medium Risk
TOTAL NUMBER OF EVENTS				4

Umkhanyakude District Development Planning Shared Services

Development Planning Shared Services Programme (DPSS)

Under the reporting period the Development Planning Services was strategically responsible for the overall facilitation, coordination, implementation, management and monitoring of the following core functional areas as well as Performance Highlights presented below according to each core function. A table under each core function is provided indicating broad challenges that was facing the section under reporting period. Similarly a suit of possible recommendations to the identified challenges is included in the same table.

Development Planning Services

Key Performance Areas (KPA's):

- Cross-Cutting Issues
- Institutional Development & Public Participation

Core Functions & Services

- Spatial Planning
- Land Use Management & Administration
- Geographical Information System (GIS)
- Human Settlement Planning & Coordination
- Integrated Transport Planning
- Environmental Planning & Management
- Building Inspectorate and Control
- District Development Planning Services Governance & Coordination (i.e. District Development Planners Forum)
- District Environmental Planning & Management Governance & Coordination (i.e. District Environmental Planning & Management Forum)

THE 2017/2018 DEVELOPMENT PLANNING SERVICES PERFORMANCE HIGHLIGHTS:

- Successfully ensured the Review and adoption of the District-Wide Spatial Development Framework (SDF) 2017/2018;
- Supported and Coordinated the Review & Adoption of Spatial Development Frameworks (SDFs) 2017/2018 FY of Family of Municipalities,
- Participated in the Implementation of the Provincial Formalization Programme of Manguzi, Mbazwana, Hlabisa, Big 5 False Bay, Jozini Towns

- Supported and coordinated the processing of Development Applications throughout the District and submitted 4 quarterly PDA Register reports to Council for consideration.
- Facilitating the roll out of the Spatial Planning and Land Use Management Act (SPLUMA) within the District and the establishment of the District Joint Municipal Planning Tribunal.
- Represented the District in all KZN Provincial Planning Law Forum Meetings conducted monthly by COGTA
- Represented the District in all Provincial Geographical Information (GIS) Technical Forum Meetings.
- Represented the District in GISSA-KZN AGM's and served as a member.
- Provided Mapping Services for IDP, SDF, Schemes and other sector Plan such as housing etc. to the District and its Local Municipalities
- Coordinating the implementation of Geographic Information Systems throughout the District by providing support with data, assist in procuring GIS Infrastructure such as Software, Hardware.
- Manage and maintain GIS Software licenses SLA's with ESRI by ensuring that all LM's and the District pay annual license fees
- Facilitated the Marketing of GIS Services by Developing Marketing Materials such as posters, base maps for the District and Local Municipalities.
- Managed and maintained District Database by ensuring cleanliness of datasets through capturing, sourcing new information and removing outdated information in the system
- Represented the District in all the Provincial Environmental Management & Coordinating Committee (PEMCC) Meetings
- Established the District Environmental management Forum
- Facilitated the environmental cleanup campaign throughout the District
- Participated in the Development of IWMP Portal for Mtubatuba and Hlabisa Big Five Municipalities.
- Advice and report on Environmental Impact Assessments Application submitted to the Municipality for commentary.
- Implemented the Environmental Management Framework by using it as a guide to proper location of Developments within the district.
- Coordinated environmental programmes throughout the district
- Coordinated and Managed the functioning of the District-Wide Development Planners Forum by staging at least six (6) Forum Meetings.
- Successfully Managed the Development Planning Shared Services (DPSS) facility.
- Coordinated SPLUMA Implementation within the District in partnership with LMs;
- Contributed in the Annual Review and Adoption of 2017/2018 FY District and Local Municipal Integrated Development Plans (IDPs) by 30 June 2018.
- On an ongoing basis continued to provide development planning input, support and advise in various sector-specific forums and platforms as and when required such as follows: Local Municipal Housing Forums, LED Forums, Tourism Forum, Infrastructure Forum, Waste Management Forum; IDP Representative Forum (RF); Etc.....
- Participated & Contributed in the Annual Review of the Human Settlement Plans as well as the functioning of the Human Settlement Forums for Family of municipalities.

Key Challenges & Recommendations:

Challenges	Recommendations / Action Plans
1. General lack of a culture of reporting and accounting to various municipal structures about the activities performed by the Development Planning services section	<ul style="list-style-type: none"> Engage in ongoing reporting to various structures, i.e. Planners forum, Manco, Portfolio Committees, EXCOs, Council, etc...
2. Lack of adequate knowledge and understanding of the strategic importance of the development Planning function within the family	<ul style="list-style-type: none"> Ongoing Training, Capacity Building and awareness Campaigns Making Presentations, and develop marketing platforms etc...
3. Inadequate adherence to the Provision of the District and Local Municipalities SDFs, Schemes and Building laws and thus leads to Extensive Urban Sprawling.	<ul style="list-style-type: none"> Ongoing Training, Capacity Building and awareness Campaigns Making Presentations and develop marketing platforms etc... Ensuring that the SDF and schemes and bylaws are well implemented and adhered to and used as guide for day to day decision making in municipalities.
4. Lack of a fully functional GIS System in the District and Local Municipalities due to lack of Capacity among other reasons	<ul style="list-style-type: none"> Making Budgets available to acquire needed GIS Hardware and Software Appointing need GIS personnel to strength the GIS services and tackle the shortage of GIS Staff. Making Budget available to roll out the GIS Projects and programmes (such as data capturing and maintenance)
5. Lack of implementation of a single Long Term District-wide Growth & Development Plan	<ul style="list-style-type: none"> Facilitate the Implementation of the District-Wide Growth & Development Plan (DGDP) to guide long term planning & development in the district by ensuring that the resolution of the summit are implemented
6. Lack of adequate capacity and necessary to perform the Environmental Planning & Management function in the District	<ul style="list-style-type: none"> Environmental Planning & Management Positions made available in the PED Organogram to be filled to enhance the capacity of the Unit. Facilitate the Implementation of the District-Wide Environmental Management Framework (EMF) Plan Compile, Adopt & implement the District-Wide Integrated Waste Management Plan (IWMP) Establish the District-Wide Environmental Planning & Management Forum to help coordinate all related issues in the DM
7. Lack of a Comprehensive Framework Plan for the implementation of Land Use Management Systems & Administration function throughout the District	<ul style="list-style-type: none"> Compile and Adopt a comprehensive Framework Plan for the Preparation of Wall-to-Wall Schemes in terms of SPLUMA & PDA throughout the District
8. General lack of understanding of the implications of the latest Planning Laws in Municipalities, i.e. Spatial Planning & Land Use Management Act (SPLUMA) & Planning & Development Act (PDA).	<ul style="list-style-type: none"> Facilitate Planning Laws Training & Awareness Sessions throughout the District and with other key stakeholders Establish the Municipal Planning Tribunal (MPT) Institutionalize the implications of the new Planning Laws by amending the Organizational structures and making budget provisions.
9. Lack of a reviewed District-Wide Integrated Public Transport Network (IPTN)	<ul style="list-style-type: none"> Compilation and Adoption of the District-Wide Integrated Public Transport Network (IPTN) for uMkhanyakude Family of Municipalities
10. Delays in the establishment of the District-Wide Joint Municipal Planning Tribunal (JMPT)	<ul style="list-style-type: none"> Secure Principle resolution from Municipal Managers Forum endorsing the MPT Members The JMPT to start operating by September 2018

Challenges	Recommendations / Action Plans
11. Lack of institutionalization of the Building Inspectorate and Control Function within the District and Local Municipalities	<ul style="list-style-type: none"> • Municipalities to appoint necessary staff for building control • Facilitate for the institutionalization of the Function by local Municipalities

Achievements

Despite the challenges, the Development Planning Shared Services served successfully in all competences outlined in the core functions and services,

Furthermore, the DPSS model has been very instrumental to ensure that each participating LM has at least one in-house Planner to capacitate.

ENVIROMENTAL MANAGEMENT

a) DISTRIT WIDE INTERGRATED WASTE MANAGEMENT PLAN (IWMP)

- IWMP is an Environmental Management tool that deals with waste management this strategic plan will look at the current waste management of all local Municipalities within UMkhanyakude district Municipality and should be evaluated against the principles of the waste management hierarchy where gaps will be identified and addressed, it looks at current waste management services rendered and current and future waste generation.
- The focus of the plan is addressing the Districts noncompliance with NEMWA and other relevant waste management policies and guidelines there after it aims to improve the overall efficiency and sustainability of waste management practices within the district through implementing projects that aims to promote the waste management hierarchy
- A suitable service provider was appointed to compile this plan. An introductory meeting was held on the 06TH of August 2018.

THE REVIEW OF THE DISRTICT WIDE ENVIRONMENTAL MANAGEMENT FRAMEWORK (EMF)

- The Environmental Management Framework is an Environmental Management tool, it functions as a support mechanism in the EIA process in the evaluation and the review of development applications.
- It informs decision making regarding land uses in a geographical area.
- It contributes to environmentally sustainable development by anticipating potential impacts and by providing early warnings in respect of thresholds, limits and cumulative impacts.

SCM processes were followed to appoint a suitable service provider however were unsuccessful during the 2017/18 financial year a provision was made for the EMF review in the 2018/19 Financial year currently the process is with SCM

SPORT & YOUTH

- The unit is under budgeted and we had to rely on Local Municipalities for the support.
- Unavailability of transport for the Coordinator to attend to other activities.
- The shortage of budget hinders the support for other sports development programs.
- There is no Youth Manager in this section contrary to the Youth Parliament and Government Lekgotla resolutions that all Municipalities must have a Youth Directorate with the Youth Manager.
 - ✓ Youth development is also under budgeted and which results in the non-implementation of other programs.
 - ✓ The non-implementation of Youth summit resolutions.

ENVIRO HEALTH

- Shortage of staff as the Municipality is operating with only eight (8) Environmental Health Practitioners, according to the National norm there is a shortage of 53 Environmental Health Practitioners.
- Shortage of vehicles in the district municipality, this is affecting service delivery negatively

- **HIV/AIDS**

- Delays from finance on procurement processes, some being that the money appear on paper not the actual cash.
- Not enough support from the Portfolio Councilors on HIV and Aids issues
- Tools of trade are not sufficient, i.e. transport

DISASTER

A big challenge is still regarding administrative especially with tools of trade where work is overwhelmingly high with limited resources; management is still addressing the issue. There is a great need from the district together with the local municipalities to have a functional working relationship. Most of the targets have been met however internal issues are hindering the full functionality for service delivery.

GENERAL COMMENT

- **The two departments (Community Services and PED Services) were incorporated for no apparent reasons thus making it complex to manage them**
- **The main Challenge is shortage of FLEET and Working tools of trade.**

- **PROPOSED VEHICLE ALLOCATION**

9.3.1 DISASTER MANAGEMENT:	5 vehicles
9.3.2 ENVIRONMENTAL HEALTH:	5 Vehicles
9.3.3 SPECIAL PROGRAMMES:	5 Vehicles
9.3.4 TOURISM	1 Vehicles
9.3.5 ENVIRONMENTAL MANAGEMENT	1 Vehicle

3.4 Office of the Municipal Manager

Functions of the Office of the Municipal Manager are as follows:

- Establishing, develop and manage economically viable, effective and accountable administration.
- Taking full liability for sound financial management.
- Coordinating and manage Intergovernmental Relations (IGR).
- Ensuring sound co-operative governance.
- Managing the Municipality's administration in accordance with the Constitution, Local Government Structures Act, the Municipal Systems Act, the Municipal Finance Management Act, the Public Management Act and all other provincial and national legislation applicable.

Participation of Traditional Leaders in Municipal Council Meetings

Legislative Background (Section 81 of Municipal Structures Act)

81. (1) Traditional authorities that traditionally observe a system of customary law in the area of a municipality, may participate through their leaders, identified in terms of subsection (2), in the proceedings of the council of that municipality, and those traditional leaders must be allowed to attend and participate in any meeting of the council.

Five members of the Traditional Council are sitting regularly in all Council meetings.

The Intergovernmental Relations (IGR)

The Provincial COGTA provided grant funding to support the Umkhanyakude family of municipalities in strengthening their IGR functions. Necessary forums required to facilitate IGR have been established and terms of reference to facilitate smooth operations for these forums have been developed. Dates of IGR meetings are incorporated in the District Events Calendar.

IGR REPORT FOR 2017/18 FY

The White Paper on Local Government provides the purpose for the establishment of IGR Forums which aims to:

- Promote and facilitate co-operative decision making;
- Co-ordinate and align priorities, budgets, policies and activities across interrelated functions and sectors;
- Ensure a smooth flow of information within government, and between government and communities, with a view to enhancing the implementation of policy and programmes; and
- Prevent and resolve conflicts and disputes.

The District and Local Municipalities are required to govern and perform municipal functions to secure the welfare of inhabitants within municipal districts. Intergovernmental Relations Framework Act No. 13 of 2005 provides legislative requirements for the structures. The Protocol agreement which guide the functionality of forums was signed by all the Mayors on 25th October 2016.

The IGR Forum Committee are functioning hence needs to be strengthened in some other areas. The Mayors Forum is attended by the Chairperson of Traditional Leadership. The reports are tabled to Council meetings and the Province for compliance. The sitting of forums has assisted increasing the Back to Basics scoring.

Audit Committee

The functionality of the Audit Committee has improved. The committee sat three times during 2017/2018 financial year. In the next coming financial year the Audit Committee will function smoothly.

Municipal Public Accounts Committee (MPAC)

The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act. The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. This also includes oversight over municipal entity. This committee is now fully functional and is performing its duties optimally.

Functionality of Bid Committees

The following committees are functional:

- Bid Specification
- Bid Evaluation; and
- Bid Adjudication

The committees meet as and when required to do so. The Bid committees have standing schedule of meetings. The functionality of these committees is at an acceptable level.

Municipal Standard Standard Chart of Accounts (mSCOA)

The mSCOA provides a uniform and standardised financial transaction classification framework. Essentially this means that mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.

A steering committee for Umkhanyakude District Municipality has been appointed to deal with matters related to mSCOA. The ToR have been agreed to and a schedule of meetings planned has been taking place accordingly. A service provider has been appointed to assist the committee in developing a series of standardised accounts and that exercise has been successfully concluded. Workshops to sensitise all stakeholders about the requirements of mSCOA are ongoing.

The Municipality has complied with the requirements of mSCOA. The budget was prepared as per the required standards.

The Functionality of S79 and S80 Committees

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Councillor, M. S. Msane. The Executive Committee (EXCO) which is chaired by the Mayor of Council, Cllr. T. S. Mkhombo is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in question.

To ensure effectiveness; council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

- Executive Committee
- Finance Committee
- Corporate Governance Portfolio Committee

- Technical Services Portfolio Committee
- Community Services, Planning & Economic Development Portfolio Committee
- Municipal Public Accounts Committee

IDP/Budget Consultative Meetings

The Honourable Mayor Cllr T. S. Mkhombo presented the Draft Budget and IDP with a view to enabling members of the community to make comments before final adoption by Council. The venues for these meetings were as follows:

DATE	MUNICIPALITY	VENUE	TIME
17 May 2017	uMhlabuyalingana	Ward 16 (sScabazini Hall)	09H00
	Jozini	Ward 10 (eDanishini Hall)	14H00
18 May 2017	Big 5 Hlabisa	Ward 6 (Mbizimbelwe Hall)	09H00
	Mtubatuba	Ward 14 (KwaMshaya Hall)	14H00

The speech that the Honourable Mayor Cllr Mkhombo presented was generic to all municipalities except for planned infrastructure which was specific to respective municipalities. The Honourable Mayor highlighted how the three spheres of government were related and further explained what powers and functions are devolved to municipalities. The intention was to make it clear to members of the community that municipalities are not responsible for all functions but some are performed by provincial departments and some are performed by national departments.

The Honourable Mayor Cllr Mkhombo also highlighted social injustices that have split family structures as members of families have to travel to places where there are better job opportunities resulting in unhealthy lifestyles for black people. He further mentioned that poverty index is very high in the District as people have no places where they can work. The population has a high number of youth that is depended upon elders to survive. Elders depend on social grants to keep fires burning at their homes. Basic service delivery is poor as there are high levels of backlogs. People have no decent sanitation facilities, no potable water and most households still do not have electricity, poor road infrastructure network. The Honourable Mayor Cllr Mkhombo indicated to members of the community that the Municipality has plans in place to address these challenges that people face daily in their lives.

The Honourable Mayor then presented the budget which indicated that the total budget for the Municipality is about R 604m for 2017/2018 financial year. About R 207m will be spent on infrastructure. About R 1m will be spent on EPWP. He went on to present specific projects planned for water and sanitation per municipality.

Generally, people raised the following issues:

- Boreholes are required to supply water for irrigation purposes
- Water tanks should be made available to communities without water
- Jojo tanks are available but there is no programme to fill them up with water regularly
- Sanitation facilities are lacking and some are full requiring honey sucker for relief
- No clinics to provide health care to communities
- No low cost houses for the indigent households
- Not all wards were represented at meetings
- Some schools did not have proper water and sanitation facilities and were built next to unsafe roads with no speed calming humps
- Some schools have no admin buildings
- No youth programmes were mentioned during the presentation of projects and programmes
- No sports fields for hosting major games
- Job opportunities are not given to local people
- Umkhanyakude staff deployed to some water schemes are not dedicated to do their jobs
- Water reservoirs are required to sustain water provision in the long run
- Sugar cane farmers need TLBs to dig trenches that would drain water from the fields

The Honourable Mayor responded to all questions raised and promised to address all issues. In instances, whereby the Municipality has no capacity to address matters raised, the Honourable Mayor suggested that such matters should be raised through Operation Sukuma Sakhe sessions or the Municipality will liaise directly with sector departments involved. Senior officials that accompanied the Honourable Mayor were also given an opportunity to give technical advice where necessary. The Honourable Mayor promised to revisit other wards and have some second-round discussions with members of the communities so as to resolve challenges they are faced with.

3.5 Budget and Treasury Office

Financial Viability

UMkhanyakude District Municipality has been on spot light in previous financial years in respect of governance, financial viability and service delivery. It is with this reason that the municipality was put under section 139(1)(b) from 08 October 2015. The situation has improved in 2017/2018 financial year resulting in section 139(1)(b) being uplifted.

The municipality is currently operating on its own, however it is being closely monitored and assisted by National and Provincial government in order to improve the situation. There is an improvement in respect of financial viability of the municipality during 2017/2018 financial year. The total revenue has improved from **R597 710 443** in 2016/2017 to **R718 527 776** in 2017/2018 financial year. The total expenditure has increased from **R461 151 988** in 2016/2017 to **R472 854 586** 2017/2018 financial year. The total surplus for the year has increased from **R136 558 455** in 2016/2017 to **R245 673 190** in 2017/2018.

Being a grant dependent is one on the challenges that the district is facing. Out of the total revenue of **R718 527 776** for 2017/2018 the municipality has only generated 6% of the total revenue, 94% being government grants received. This is a huge challenge in the district which contributes to the inability to provide basic services to the community which leads to community unrests.

The expenditure on bulk purchases has increased from **R90 794 066** in 2016/2017 to **R101 705 233** and the employee related costs has increased from **R140 608 444** in 2016/2017 to **R152 638 288** in 2017/2018 this increase is due to an annual increment of 7% and new appointments during the financial year.

The total assets of the municipality have increased from **R2 128 919 457** in 2016/2017 to **R2 243 622 848** in 2017/2018. Included in the total assets for the current financial year is the total non-current assets for the value of **R1 968 829 572** and the total current assets for the value of **R274 793 276**. There is a slight improvement with regards to total liabilities in the current financial year which has decreased from **R411 299 879** in 2016/2017 to **R280 330 077** in 2017/2018. The net assets have increased from **R1 717 619 578** 2016/2017 to **R1 963 292 771** in 2017/2018.

By looking at the above financial analysis of the district, it shows that there is an improvement in respect of financial viability as a result all unspent conditional grants of **R18 049 683** were cash backed.

Budget for 2017/2018

The municipality began the 2017/2018 financial year with an **unfunded budget** as per the Provincial Treasury assessment report. This has been the challenge also in the past with unauthorized expenditure realized amounting to:

Financial Year	Unauthorized expenditure
30 June 2017	R 72 731 586
30 June 2018	R 18 279 811

Whilst there has been challenges with the budget for the current financial year there has been remarkable attempts by the municipality to keep expenditure within allocated votes. However, the unexpected breakdowns of the municipal infrastructure assets coupled with community unrests has again pushed the expenditure on some budget votes such as; repairs and maintenance beyond the allocated budget for the year. Some of the key actions the municipality is undertaking includes but not limited to:

- Compilation of Creditors Repayment Plan
- Performance of Due Diligence on outstanding creditors
- Non-essential procurement stopped with immediate effect
- Formation of budget steering committee
- Monitoring of spending through reliable section 71 reports on monthly MANCO and council structures
- Implementation of mSCOA and compliance with Treasury Guidelines and Circulars and
- Full implementation of Revenue Enhancement Strategy.

Revenue and Receivables

The Revenue Management Section is one of the critical functions within the Finance Department, it has three units under it namely; Billing, Receipting and Credit Control. Monthly activities and functions include Consumer accounts management, capturing of meter readings, revenue billing, collecting, Consumer accounts maintenance and accounting for revenue generated by the municipality and recover unpaid money from consumers in respect of municipal services rendered.

As noted above the municipality is currently with an unfunded budget for the current year. One of the contributing reasons for this; was the lack of internal generated revenue and high dependence on grants for operations. The municipality is highly dependent on grants for operations.

The following is a summary of the revenue income for the 2017/2018 financial year.

Revenue	30 June 2018
Government grants & subsidies	R 672 862 809
Service charges	R 30 788 710
Rental of facilities and equipment	R 208 830
Interest revenue	R 6 958 166
Other revenue	R 7 709 261
Actuarial gains	R -
Total revenue	R 718 527 776

From the above, government grants & subsidies make up about 94% of the total revenue billed for the financial year.

As at 30 June 2018 the municipality had about R **189 873 271** worth of debtors outstanding which is considered very high for a municipality which cash strapped. The majority of the debtors are outstanding for a period exceeding 180 days.

Supply Chain Management and Expenditure Management

The Supply Chain Management Policy and the SCM Delegations of the municipality were tabled to the Council in March 2016 and it was adopted. A team from the Provincial Treasury assisted the municipality with the following;

- Analysis of the irregular expenditure per transaction and make recommendations to Council and actions to be undertaken.
- The implementation of Standard Operating Procedures (SOPS).
- Training of end-user departments and SCM Practitioners
- SCM Policy on Infrastructure needs to be adopted by the Municipality. The Policy Model was issued by National Treasury.

However, there has recurring instances of non-compliance with the internal SCM procedures by user-department as evidenced by the irregular expenditure of **R 6 004 550** for the 2017/2018 financial year. The municipality has reported the irregular expenditure to council for implementation of Section 32 of MFMA. As at 30 June 2016 the total irregular expenditure amounts to **R 1 668 140 196**.

The total outstanding creditors as at 30 June 2018 is **R 156 015 712**. A significant amount of that has been outstanding for more than 180 days. A creditors repayment plan is being implemented with due diligence performed on all creditors' claims for validity. This is in line with the strategy of ensuring that all valid creditors are included in the main financial system.

4. ANNUAL PERFORMANCE REPORT

This section will indicate, in more detail, the performance of the Municipality for the financial year and makes reference to the supporting documentation, including the Municipal Scorecard. The performance reporting of the Municipality in this section is done in line with the 5 national KPA's and is the focus of the MSA Section 46 requirements and therefore reflects the performance of the Municipality for the financial year, comparisons to performance of the previous financial year and measures taken to improve performance.

Background to municipal scorecard

- The Municipal Scorecard **Appendix 1** approach reflects the 6 national KPA's and local priorities and enables a wider assessment of how the municipality is performing.
- The performance report is based on measures included within the Municipal Scorecard. This incorporates 52 priority measures selected from the IDP. The criteria used reflect factors such as previous performance levels, comparative performance and budget implications.

4.1 Performance Management Process

The Performance Management System (PMS) at Umkhanyakude District Municipality is mainly guided by the Framework (PMS Framework). The Municipality uses the Key Performance model. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

The following are the five national Key Performance Areas (KPAs) that will be used in the preferred performance management model:

- Institutional Transformation and Development
- Service Delivery and Infrastructure Development;
- Local Economic Development;
- Good Governance and Public Participation; and
- Municipal Financial Viability and Management
- Cross Cutting Interventions

Regular reports were presented at MANCO on a monthly basis. Monthly reports then informed quarterly reports

4.2 Key Performance Area Report

The performance of the Municipality can be summarised as follows:

KPAs	Number of Targets	No Budget	Not Achieved	Partially Achieved	Target Achieved	Target Exceeded
Municipal Transformation	9	1	1	1	6	0
Basic Service Delivery	7	4	3	0	0	0
LED	3	0	1	0	2	0
Financial viability	15	0	2	1	12	0
Good Governance	11	0	4	0	7	0
Cross Cutting	7	0	1	0	6	0
Total	52	5	12	2	33	0

Narrative Report

- 52 organisational targets were selected to be reported on through High level SDBIP;
- 19 out targets (including 5 targets without budget and 2 that were partially achieved) were **not achieved** which represented **36%** during 2017/2018 FY;
- 33 targets were achieved at an organisational level which represented **64%** during 2017/2018 FY

4.3 Comparison with Previous Financial Years

Details	Financial Years		
	2015-2016	2016-2017	2017-2018
Target achieved (%)	46%	39%	64%
Not achieved (%)	54%	61%	36%

- There has been a remarkable improvement of performance compared to previous financial years as 64% was recorded
- Targets not achieved have also been reduced compared to previous financial years as 36% was recorded
- Improvement in performance can be attributed to the process of reviewing SDBIPs and Organisational Scorecard that was engaged by the municipality between September 2017 and was adopted by Council in January 2018

4.4 Service Delivery Priorities and Targets for 2018/2019 FY

The following are the Nine (9) key priority areas of uMkhanyakude District Municipality:

1. Water
2. Sanitation/Sewerage;
3. Environmental Health;
4. Economics, Social or Community and Skills Development
5. Poverty eradication and Food Security;
6. Revenue enhancement;
7. Spatial planning and development;
8. Communication and Information Technology (IT); and
9. Good Governance and Clean Administration.

Key Outcomes for the Municipality

The following are 16 key outcomes for Umkhanyakude District Municipality:

1. An efficient, uninterrupted and sustainable water and sewerage infrastructure network to reduce service delivery backlogs in communities and boost economic development for the purpose of reducing unemployment rates within the district;
2. Unlock economic sectors within the district that have potential for growth and attraction of potential investors
3. Economic activeness of Small Medium and Micro Enterprises (SMMEs), Cooperatives, Emerging Contractors and renewed and rehabilitated town within the district;
4. All residents within the district are and feel safe and healthy environment;
5. Promote food security to eradicate poverty within the district;
6. Promote social development within the district (e.g. youth, women, senior citizens, people living with disability) in sports, participating in economy, skill development etc.
7. Efficient and effective disaster management and communication within the district
8. Skilled community and capable workforce to support inclusive growth, development or service delivery
9. Enhance revenue generation strategies to attract skilled personnel and reduce dependency on government grants;
10. Exercise due diligence in managing the financial affairs of the district to ensure value for money;

11. Embrace the principles of good corporate governance and accountable and discipline administration;
12. Effective, efficient, responsible and accountable council structures by displaying good leadership in the affairs of the municipality
13. Efficient and effective spatial planning and development in providing services to all areas within the district;
14. Effective and efficient communication to all stakeholders including community in respect of service delivery;
15. Efficient and effective safeguarding and proper management of municipal assets and upgrade of ICT infrastructure within the district by integrating operations to smooth service delivery; and
16. Zero tolerance to fraud and corruption in dealing with affairs of the municipality

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Human Resources Development	A1. To provide effective and efficient human resource management aimed at achieving a skilled workforce that is responsive to service delivery and change	Implementation and monitoring of Human Resources Development Strategy	A 1.1	Number of HRD Strategy Functionality assessment reports Submitted to Council	4 HRD Strategy Functionality assessment reports Submitted to Council for noting by 30 June 2019
		Development, implementation and monitoring of Workplace Skills Plan	A 1.2	Date of adopting WSP	Council adopted WSP by 30 Nov 2018
			A 1.3	Percentage of budget spent on implementing WSP	100% of Municipality's budget allocated for WSP spent on implementation by 30 June 2019
		Development, implementation and monitoring of Employment Equity Plan	A 1.4	Number of EE Functionality assessment reports Submitted to Council	4 EE Functionality assessment reports Submitted to Council for noting by 30 June 2019
		Employment of people from EE target (designated group) employed in the three highest levels of management	A 1.5	Number of people from EE target employed in the three highest levels of management	3 people employed by 30 June 2019
Employee Wellness	A2. To ensure effective implementation of Health and safety Plan	Develop, implement and monitor Health and Safety Risk Plan	A 2.1	Number of Health and Safety Risk Plan functionality assessment submitted to Council	4 Health and Safety Risk Plan functionality assessment submitted to Council for noting by 30 June 2019

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT...

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Administrative support	A3 To ensure effective and efficient administration	Develop, Implement and monitor of admin support services plan	A 3.1	Number of admin support services implementation reports submitted to ExCo	12 admin support services implementation reports submitted to ExCo for noting by 30 June 2019
Information Communication Technology	A4. To ensure adherence to evolving technology	Develop Implement and monitor ICT Governance Framework	A 4.1	Number of ICT Framework functionality assessment reports submitted to Council	4 ICT Framework functionality assessment reports submitted to Council for noting by 30 June 2019

KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
High quality infrastructure network	B1. To provide high quality infrastructure network to support improved quality of life and economic growth	Provision of basic services	B1.1	Percentage of households with access to a minimum of basic level of service for water provision	77% of households with access by 30 June 2019
			B1.2	Percentage of households with access to a minimum of basic level of service for sanitation provision	70% of households with access by 30 June 2019
			B1.3	Percentage of households with access to basic electricity	90% of households (Ngwavuma and Msane areas only) with access to basic electricity by 30 June 2019
		Implementation of water services provision planning	B1.4	Date of adoption of Water Services Development Plan (WSDP) by Council	Council WSDP adopted by 30 June 2019
			B1.5	Date of Developing Sanitation Master Plan	Sanitation Master Plan developed by 30 June 2019
			B1.6	Date of Reviewing of Water Services By-laws and Policies	Reviewed and Council Adopted Water Services Bylaws for the District Municipality by 30 June 2019

KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
High quality infrastructure network...	B1. To provide high quality infrastructure network to support improved quality of life and economic growth...	Development of Wastewater Risk abatement Plans (W2RAPs)	B1.7	Date of Wastewater Risk Abatement Plans approval by council	Approval of Wastewater Risk Abatement Plans by council on 30 June 2019
		Provision of Bulk Water Schemes functionality reports	B1.8	Number of water schemes functionality reports submitted to Council	4 reported submitted by 30 June 2019

KPA 3: LOCAL ECONOMIC DEVELOPMENT

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
District Economic Growth and employment opportunities	C1. To expand district economic output and increase quantity and quality of employment opportunities	Development of Local Economic Development Strategy	C1.1	Date of Council adoption of the LED Strategy	Council adoption of LED Strategy by 30 June 2019
		Develop and promote the agricultural potential of Umkhanyakude District	C1.2	Number of agricultural programmes developed	4 Agricultural Programmes developed by 30 June 2019
		Develop and promote the tourism potential of Umkhanyakude District	C1.3	Number of Tourism programmes developed	4 Tourism programmes developed by 30 June 2019
		Promote SMME and entrepreneurial development	C1.4	Number of SMME and entrepreneurial programmes promoted	4 of SMME and entrepreneurial programmes promoted
		Monitoring of uMhlosinga Development Agency's performance as per the Business Plan for operational budget and set aside programme	C1.5	Number of quarterly performance review sessions held with UMDA	4 quarterly performance review session reports submitted to Council for Noting by 30 June 2019
		Improve the efficiency, innovation and variety of government-led decent job creation programmes	C1.6	Number of jobs created through local economic development initiatives and capital projects	800 Jobs created by 30 June 2019

KPA 4: FINANCIAL VIABILITY AND MANAGEMENT

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Revenue Collection	D1 To Implement Revenue Collection Strategy	Implementation of revenue enhancement strategy	D1.1	Number of policies tabled to Council in compliance with MFMA Section 64(2)(a)	Tariff Policy; Credit Control; Debt Collection Policy and By-Laws Tabled to Council for approval by 31 May 2019
			D1.2	Ratio in compliance with MFMA Section 64(2)(a)	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0,5 throughout the 2018/19 FY
			D2.1	Ratio in compliance with MFMA Section 65(2)(e)	More than 1 Debt coverage Ratio maintained throughout the 2018/19 FY
Expenditure Management	D2 To improve expenditure management	Develop, implement and monitor standard operating procedures related to expenditure management	D2.2	Date of compliance with MFMA Section 65(2)(c)	Cash and Accounts Payable Management Policy approved by Council by 31 May 2019
			D2.3	Ratio compliance with MFMA Section 65(2)(e)	More than 1 Cost Coverage Ratio maintained throughout the 2018/19 FY
Improve Financial Management	D3. To Improve Financial Management	Develop a credible budget and report in accordance with the provisions of the MFMA	D3.1	Date of adoption of Budget	2019/2020 MTREF approved by Council by 31 May 2019
			D3.2	Number of reports submitted to Mayor in compliance with MFMA Sec.71	Report Monthly to the Mayor in Terms MFMA Section 71
			D3.3	Number of reports in compliance with MFMA Sec.52, 66 &72	Report Quarterly to Council in terms of MFMA Sec 52, 66 & 72 during 18/19 FY

KPA 4: FINANCIAL VIABILITY AND MANAGEMENT...

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Implement Supply Chain Management Processes	D4. To Effectively Implement Supply Chain Management Regulations	To Effectively Implement Supply Chain Management Regulations	D4.1	Date of adoption of a Procurement Plan	2018/19 Annual Procurement Plan adopted by 31 Jul 2018; with 2019/2020 Annual Procurement Plan adopted by 30 June 2019
			D4.2	Number of procurement plan implementation reports submitted to Council	3 Procurement Plan implementation reports submitted to Council for noting by 30 June 2019
Sound financial management	D5. Implement sound financial management	Monitor implementation of audit action plan on regular basis	D5.1	Percentage compliance with MFMA Section 131(1)	100% of 2017/2018 Auditor General Findings raised against the Finance Department resolved by 30 Nov 2018
		Monitor spending on MIG funded projects	D5.2	Percentage compliance with DORA Section 21 - Unspent Conditional Grants	100% of MIG grant cash backed throughout 2018/2019 financial year.
		2017/2018 Budget implementation	D5.3	Percentage compliance with MFMA Section 69(1)(a)	Maintain > 95% spending on operating Adjusted budget by 30 June 2019
			D5.4	Percentage compliance with MFMA Section 69(1)(b)	Maintain >95% implementation of Service Charges Revenue Budget evenly throughout 2018/2019 financial year.

KPA 4: FINANCIAL VIABILITY AND MANAGEMENT...

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Sound financial management	D5. Implement sound financial management	Implementation of the Municipal Standard Chart of Accounts (mSCOA) Implementation of the Municipal Standard Chart of Accounts (mSCOA)	D5.5	Number of reports tabled to Council in compliance with Government Gazette 37577 - Municipal Regulations on Standard Chart of Accounts	Table Quarterly and Mid-year reports to Council on Implementation of mmSCOA during 2018/2019 FY
Sound Asset Management	D6. Effectively Implement asset management regulation	Implementation, monitoring and adherence to asset management policies and regulations.	D1.6	Number of reports tabled to Council in compliance with Asset Management Regulations	Table Quarterly asset management reports to Council during 2018/2019 FY

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Improve Quality of Life	E1. To improve the quality of lives for people within Umkhanyakude District	Develop, Implement and monitor special programmes	E1.1	Number of Special Programmes implemented	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented by 30 June 2019
		Develop, Implement and monitor Environmental Health Management strategies and plans in accordance with applicable legislation	E1.2	Number of Functionality assessment conducted on Environmental Management Services	16 Environmental Management Services functionality assessments conducted (water quality, Food Safety, Chemical Safety & Health and Hygiene) by 30 June 2019
Excellence in Governance and Leadership	E2. To ensure excellence in governance and leadership	Functionality assessment of Council committees and structures (Section 79, 80 & 81)	E2.1	Number of functionality assessment reports submitted to Council	Four functionality assessment reports developed and submitted to Council for adoption by 30 June 2019
		Implementation of Risk management Plan	E2.2	Number of functionality assessment reports submitted to Council	4 functionality assessment reports on risk Management submitted to Council
		Implementation of programmes for committees responsible for oversight	E2.3	Number of oversight meetings held	8 meetings oversight held by 30 June 2019 (4 for MPAC and 4 for AUDCOM)
		Implementation of Public Participation Programmes	E2.4	Number of Public Participation programmes implemented	4 public participation programmes implemented by 30 June 2019
		Implementation of IGR programmes	E2.5	Number of IGR programmes implemented	8 Programmes implemented by 30 June 2019 (4 for MM's Forum and 4 for Mayors Forum)

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION...

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Excellence in Governance and Leadership	E2. To ensure excellence in governance and leadership	Implementation of Batho Pele Principles	E2.6	Date of developed of batho pele policy and procedure manual, SDIP and Service Charter	<i>Batho Pele</i> policy and procedure manual, SDIP and Service Charter by 30 October 2018
			E2.7	Percentage implementation of Service Delivery Implementation Plan (SDIP)	Achieved about 80% implementation of SDIP by 30 June 2019
			E2.8	Number of Batho pele campaigns conducted.	3 <i>Batho Pele</i> campaigns conducted by 30 June 2019
		Implementation of Back to Basics Action Plan	E2.9	Percentage of implemented matters in the B2B Action Plan according to stipulated time frames	100% implementation of B2B by 30 June 2019
		Monitoring the implementation of Lekgoetla resolutions relevant to Umkhanyakude District Municipality	E2.10	Number of reports submitted to Council on Lekgoetla resolutions implemented	4 reports submitted to Council on Lekgoetla resolutions relevant to Umkhanyakude DM implemented by 30 June 2019
		Develop, Implement and monitor Communication strategy	E2.11	Number of Assessment of Communication Strategy functionality	4 functionality assessments conducted by 30 June 2019
		Develop, Implement and monitor Fraud and corruption prevention strategy	E2.12	Number of Functionality Assessment of Fraud and Corruption Prevention Strategy Functionality submitted to Council	4 Functionality Assessment of Fraud and Corruption Prevention Strategy Functionality submitted to Council during 18/19 FY

KPA 6: CROSS CUTTING INTERVENTIONS

GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET
Performance Management System	F1. To ensure effective Organizational Performance Management System (PMS)	Develop PMS Framework to inform Monitoring and Review processes	F1.1	Date of Developing and monitoring of implementation of PMS Framework	PMS Framework developed and adopted by Council by 30 June 2019
			F1.2	Number of M& E reports developed	5 reports developed by 20 June 2019
			F1.3	Number of M& E reviews conducted	5 M&E reviews conducted by 20 June 2019
Integrated Development Plan	F2. To ensure effective integrated development planning (IDP)	Review IDP as per legislation and KZN COGTA Guide	F2.1	Review of IDP as per legislation and KZN COGTA Guide	IDP Reviewed and adopted by Council by 31 May 2019
Integrity and Quality of Physical Environment	F3. To ensure integrity and quality of physical environment underpinned by a coherent spatial development pattern	Monitor the Implementation of SPLUMA and LUMF and applicable development pieces of legislation	F3.1	Date of Spatial Development Framework Review as per the provisions of legislative framework	Reviewed SDF adopted by 31 May 2019
		Implementation of Environmental Management Programmes	F3.2	Number of programmes implemented	4 programmes implemented (4 for EIAs) by 30 June 2019
Functional Disaster Management Unit	F4. To ensure functional and responsive Disaster Management Unit	Develop and monitor the implementation of Disaster Risk Reduction Plan	F4.1	Number of Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Council	4 Monitoring and evaluation reports on the implementation of Disaster Risk Reduction Plan submitted to Council by 30 June 2019

4.5 External Service Provider Performance Assessment

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels.

Service Providers Assessment

Period: 2017/2018

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S)	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract
Poor (P)	The service has been provided below acceptable standards

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2016/2017		Current Financial Year 2017/2018		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 006/2016/2017	R&B Pipeline	06 July 2017	Yes	R28 716 142.00					✓		
SCMU 006/2017/18-1	TLS Project Engineers	14 November 2017	Yes	R71 546 400					✓		
SCMU 006/2017/18-2	UWP Consulting	14 November 2017	Yes	R37 426 200					✓		
SCMU 006/2017/18-3	SPK Engineers	14 November 2017	Yes	R49 781 520					✓		
SCMU 006/2017/18-4	Sisonke	14 November 2017	Yes	R49 384 800					✓		
SCMU 003/2017/18	Ayanda Mbanga Communications	25 May 2018	Yes	Rate based					✓		
SCMU 003/2017/18	Burning Spear	25 May 2018	Yes	Rate based							
	Ntshidi & Associate	28 March 2018	Yes – Internal Audit Services	R2.1 million						✓	

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2016/2017		Current Financial Year 2017/2018		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
	Inkazimulo Business Advisory	01 June 2018	Yes – Grap Compliant	R3 410 325.00					✓		
SCMU 003/2016/17	Pro-secure	12 September 2016	Yes	R10 230 537.12					✓	✓	
SCMU 004/2016/17	Fleet Horizon	29 September 2016	Yes	R15 017 815.40							

4.6 Key Areas to Note

Improving Performance

- There was improvement in performance especially in financial reporting and physical infrastructure implementation which are key to service delivery for the Municipality

Deteriorating Performance

- Overall performance of the Municipality was unsatisfactory in areas such as Local Economic Development and infrastructure planning

4.7 Lessons Learnt and Way Forward

- There is still a room for improvement in the overall reporting by internal department of the Municipality especially when it comes to providing supporting documents
- Regular reporting by departments especially monthly, would ultimately bring about much needed quality reports
- The entire process of monitoring and evaluation is still lacking and needs to be improved
- The introduction of an automated PMS should be considered in the next coming financial year as it would drastically improve the quality of reports produced by internal departments and the reporting mechanism as a whole

5. FINANCIAL PERFORMANCE

Statement of Financial Performance

Description	2016/17	Current Year 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
R thousands				
Financial Performance				
Property rates	-	-	-	-
Service charges	19 542	35 669	25 780	30 789
Investment revenue	5 305	4 256	4 562	6 958
Transfers recognised - operational	326 160	346 343	328 343	371 747
Other own revenue	16 427	12 190	9 888	7 918
Total Revenue (excluding capital transfers and contributions)	367 433	398 457	368 573	417 412
Employee costs	140 608	136 793	143 358	152 638
Remuneration of councillors	6 874	8 940	8 940	7 207
Depreciation & asset impairment	42 801	45 009	38 291	105 257
Finance charges	1 424	1 499	941	2 115
Materials and bulk purchases	166 022	125 241	121 405	136 225
Transfers and grants	-	-	-	-
Other expenditure	103 422	80 974	100 138	69 412
Total Expenditure	461 152	398 457	413 074	472 855
Surplus/(Deficit)	(93 719)	(0)	(44 501)	(55 442)
Transfers and subsidies - capital (monetary all	230 277	257 965	293 266	301 115
Contributions recognised - capital & contributed	-	121 637	121 637	-
Surplus/(Deficit) after capital transfers & contributions	136 558	379 601	370 401	245 673
Share of surplus/ (deficit) of associate	-	-	-	-
Surplus/(Deficit) for the year	136 558	379 601	370 401	245 673
Capital expenditure & funds sources				
Capital expenditure	230 277	257 965	293 266	301 115
Transfers recognised - capital	230 277	257 965	293 266	301 115
Public contributions & donations	-	-	-	-
Borrowing	-	-	-	-
Internally generated funds	-	-	-	-
Total sources of capital funds	230 277	257 965	293 266	301 115
Financial position				
Total current assets	296 924	381 036	381 036	274 793
Total non current assets	1 831 994	1 724 954	1 724 954	1 968 830
Total current liabilities	398 581	66 044	66 044	245 793
Total non current liabilities	12 719	7 528	7 528	34 537
Community wealth/Equity	1 717 620	2 032 418	2 032 418	1 963 293
Cash flows				
Net cash from (used) operating	213 758	259 180	280 920	228 974
Net cash from (used) investing	(208 678)	(257 965)	(285 874)	(200 050)
Net cash from (used) financing	(854)	(3 025)	(1 443)	(845)
Cash/cash equivalents at the year end	36 750	34 989	28 228	64 828

Financial Performance of Operational Services

Description	2016/17	Current Year 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
R thousand				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	326 160	345 843	330 439	370 748
Local Government Equitable Share	292 147	295 575	280 171	280 171
Finance Management	1 250	1 250	1 250	1 250
Municipal Systems Improvement	–	–	–	–
Water Services Operating Subsidy	–	–	–	–
Rural Assets management	–	2 619	2 619	2 530
EPWP Incentive	1 293	1 008	1 008	1 008
RSC Levy Replacement	–	34 445	34 445	34 445
Other transfers&grants [PMU]	31 470	10 946	10 946	51 344
Provincial Government:	–	500	1 000	1 000
Ingodini Study	–	500	1 000	1 000
Dukuduku Forest Environmental Management	–	–	–	–
Mkuze Airport	–	–	–	–
Tourism Strategy	–	–	–	–
Spatial Development Framework Support	–	–	–	–
District Municipality:	–	–	–	–
<i>[insert description]</i>	–	–	–	–
	–	–	–	–
Other grant providers:	–	–	–	–
<i>[insert description]</i>	–	–	–	–
	–	–	–	–
Total Operating Transfers and Grants	326 160	346 343	331 439	371 748

Grant Performance

Description	2016/17	Current Year 2017/18		
		Audited Outcome	Original Budget	Adjusted Budget
R thousand				
RECEIPTS:				
Capital Transfers and Grants				
National Government:	230 277	257 965	293 265	301 115
Municipal Infrastructure Grant (MIG)	192 112	207 965	211 060	218 910
Rural Assets Management	-	-	-	-
Rural Households Infrastructure	-	-	-	-
Water Services Infrastructure Grant	38 166	50 000	82 205	82 205
nil	-	-	-	-
Expanded Public Works Programme(E	-	-	-	-
Provincial Government:	-	-	-	-
District Municipality:	-	-	-	-
<i>[insert description]</i>	-	-	-	-
	-	-	-	-
Other grant providers:	-	-	-	-
<i>[insert description]</i>	-	-	-	-
	-	-	-	-
Total Capital Transfers and Grants	230 277	257 965	293 265	301 115

Repairs and Maintenance

DC27 Umkhanyakude Repairs and mantainance 2017/18				
Description	2016/17	Current Year 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	2017/18 Actual
Repairs and mantainance	75 228 251	36 547 364	32 436 830	34 519 728

Liquidity Ratio

2015/2016	2016/2017	2017/2018
1.03:1	0.88:1	1.33:1

Cost Coverage

2015/2016	2016/2017	2017/2018
8,17	9,40	17,53

Outstanding Service Debtors to Revenue

2015/2016	2016/2017	2017/2018
0,34	0,35	0,41

Debt Coverage

2015/2016	2016/2017	2017/2018
7,7	5,67	6,55

Grants as Percentage of Revenue Received

2015/2016	2016/2017	2017/2018
89%	93%	94%

Debtors outstanding as a percentage of revenue received for services

2015/2016	2016/2017	2017/2018
2,91	2,85	2,41

Employee Cost as Percentage of Revenue

2015/2016	2016/2017	2017/2018
24%	25%	23%

Repairs and Maintenance as Percentage of Revenue

2015/2016	2016/2017	2017/2018
7,33	17,23	14,23

6. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS -17/18

- **See Annexure A**

ANNEXURES

Annexure A: Consolidated Annual Financial Statements – 2017/2018 FY

Annexure B: Auditor General's Report – June 2018

Annexure C: Audit Action Plan – 2018/2019 FY

Annexure D: Organisational Scorecard for 2017/2018 FY

Annexure E: Audit Committee Report – 2017/2018 FY

Annexure F: Annual Report for uMhlosinga Development Agency – 2017/2018 FY

APPENDICES

Appendix A: Statement of Financial Performance – 2017/2018 FY

ANNEXURE A

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS - 2017/2018 FY



Umkhanyakude District Municipality and its Municipal entity
Consolidated Annual Financial statements
for the year ended 30 June 2018

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	DC27 - Umkhanyakude District Municipality
Mayoral committee	Cllr Mkhombo T.S. (Mayor) Cllr Hlabisa F.C. (Deputy Mayor) Cllr Msane MS (Speaker) Cllr Moodley G.P. (Exco Member) Cllr Ngcobo M.S. (Exco Member) Cllr Zungu M.C. (Exco Member)
Councillors	Cllr Gina MA Cllr Gumede KS Cllr Gumede RH Cllr Gumede MS Cllr Gumede VE Cllr Hlabisa VF Cllr Khoza SJ Cllr Khumalo CT Cllr Khumalo NG Cllr Mabika DP Cllr Madlopha PB Cllr Mathenjwa BS Cllr Mdaka SF Cllr Mhlongo ZM Cllr Mthembu MJ Cllr Mthethwa N.R Cllr Mthethwa NS Cllr Mthethwa SP Cllr Myeni SR Cllr Mzinyane SW Cllr Ngubane JG Cllr Shezi SJ Cllr Sithole MB Cllr Zulu NR Cllr Zuma NE
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Msomi N.P (Acting CFO)
Accounting Officer	Dludla N.T
Registered office	Harlingen No. 13433 Kingfisher Road Mkuze 3965
Postal address	P.O. Box 449 Mkuze
Primary Bankers	ABSA
Auditors	Auditor-General South Africa Registered Auditors

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 30
Notes to the Consolidated Annual Financial Statements	31 - 70

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the 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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that the Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 4.

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

The consolidated annual financial statements set out on pages 4 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 28 September 2018 and were signed on its behalf by:

Dludla N.T
Accounting Officer

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017	2018	2017
Assets					
Current Assets					
Inventories	3	121 121 909	124 845 735	121 121 909	124 845 735
Receivables from exchange transactions	4	45 461 654	63 797 512	43 685 489	55 864 451
Other receivables from exchange transactions	5	6 685 279	8 554 956	6 685 279	8 554 956
VAT receivable	6	36 695 943	62 977 240	32 476 454	62 073 305
Cash and cash equivalents	7	64 828 491	36 749 698	62 295 548	34 577 736
		274 793 276	296 925 141	266 264 679	285 916 183
Non-Current Assets					
Property, plant and equipment	8	1 968 051 222	1 831 106 660	1 939 461 250	1 826 356 214
Intangible assets	9	192 350	301 656	192 350	301 656
Heritage assets	10	586 000	586 000	586 000	586 000
		1 968 829 572	1 831 994 316	1 940 239 600	1 827 243 870
Total Assets		2 243 622 848	2 128 919 457	2 206 504 279	2 113 160 053
Liabilities					
Current Liabilities					
Payables from exchange transactions	11	215 753 034	322 669 989	216 851 320	320 920 314
Consumer deposits	12	1 396 340	1 377 510	1 396 340	1 377 510
Unspent conditional grants and receipts	13	26 361 249	72 995 711	24 930 430	64 576 002
Current portion of defined benefit plan obligation	14	1 296 000	534 000	1 296 000	534 000
Current portion of loans	15	986 127	1 003 312	986 127	1 003 312
		245 792 750	398 580 522	245 460 217	388 411 138
Non-Current Liabilities					
Other financial liabilities	16	22 154 396	-	22 154 396	-
Defined benefit plan obligation	14	7 027 000	6 512 000	7 027 000	6 512 000
Non-current loans	15	5 355 931	6 207 357	5 355 931	6 207 357
		34 537 327	12 719 357	34 537 327	12 719 357
Total Liabilities		280 330 077	411 299 879	279 997 544	401 130 495
Net Assets		1 963 292 771	1 717 619 578	1 926 506 735	1 712 029 558
Accumulated surplus		1 963 292 771	1 717 619 580	1 926 506 737	1 712 029 560

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017	2018	2017
Revenue					
Revenue from exchange transactions					
Service charges	17	30 788 710	19 541 684	30 788 710	19 541 684
Rental of facilities and equipment	18	208 830	56 310	208 830	56 310
Interest income	19	6 958 166	5 305 018	6 941 630	5 115 213
Other income	20	7 709 261	16 245 792	7 624 755	16 048 647
Actuarial gains	14	-	124 705	-	124 705
Total revenue from exchange transactions		45 664 967	41 273 509	45 563 925	40 886 559
Revenue from non-exchange transactions					
Government grants & subsidies	21	672 862 809	556 436 934	636 585 534	527 566 641
Total revenue		718 527 776	597 710 443	682 149 459	568 453 200
Expenditure					
Employee related costs	22	(152 638 288)	(140 608 444)	(145 745 160)	(133 969 150)
Remuneration of councillors	23	(7 207 291)	(6 874 314)	(7 207 291)	(6 874 314)
Depreciation amortisation and impairment	24	(75 299 283)	(37 538 624)	(74 992 988)	(37 378 520)
Finance costs	25	(2 114 582)	(1 423 952)	(2 024 066)	(1 339 122)
Debt Impairment	26	(29 957 705)	(5 262 800)	(29 957 705)	(5 262 800)
Repairs and maintenance	27	(34 519 728)	(75 228 251)	(34 510 237)	(75 227 560)
Bulk purchases	28	(101 705 233)	(90 794 066)	(101 705 233)	(90 794 066)
Contracted services	29	(44 689 137)	(51 086 005)	(37 179 286)	(27 923 751)
General Expenses	30	(24 723 339)	(52 335 532)	(34 350 317)	(56 061 897)
Total expenditure		(472 854 586)	(461 151 988)	(467 672 283)	(434 831 180)
Operating surplus		245 673 190	136 558 455	214 477 176	133 622 020
Surplus for the year		245 673 190	136 558 455	214 477 176	133 622 020

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	1 621 376 617	1 621 376 617
Adjustments - Note 33		
Correction of errors	(40 315 492)	(40 315 492)
Balance at 01 July 2016 as restated*	1 581 061 125	1 581 061 125
Changes in net assets		
Surplus for the year	136 558 455	136 558 455
Total changes	136 558 455	136 558 455
Balance at 01 July 2017	1 717 619 581	1 717 619 581
Changes in net assets		
Surplus for the year	245 673 190	245 673 190
Total changes	245 673 190	245 673 190
Balance at 30 June 2018	1 963 292 771	1 963 292 771
Controlling entity		
Opening balance as previously reported	1 618 768 041	1 618 768 041
Adjustments - Note 33		
Correction of errors	(40 360 501)	(40 360 501)
Balance at 01 July 2016 as restated*	1 578 407 540	1 578 407 540
Changes in net assets		
Surplus for the year	133 622 020	133 622 020
Total changes	133 622 020	133 622 020
Balance at 01 July 2017	1 712 029 561	1 712 029 561
Changes in net assets		
Surplus for the year	214 477 176	214 477 176
Total changes	214 477 176	214 477 176
Balance at 30 June 2018	1 926 506 737	1 926 506 737

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017	2018	2017
Cash flows from operating activities					
Receipts					
Sale of goods and services		21 036 541	16 064 408	14 879 645	16 648 983
Grants		626 972 778	602 467 237	596 277 747	565 848 000
Interest income		6 958 166	5 305 018	6 941 630	5 115 213
Other receipts		727 876	12 128 709	643 370	11 931 565
		<u>655 695 361</u>	<u>635 965 372</u>	<u>618 742 392</u>	<u>599 543 761</u>
Payments					
Employee costs		(159 845 581)	(147 482 759)	(152 952 451)	(140 843 464)
Suppliers		(265 399 660)	(273 899 562)	(260 011 117)	(245 353 077)
Finance costs		(1 401 979)	(780 626)	(1 311 463)	(695 796)
Taxes paid		-	(44 035)	-	-
		<u>(426 647 220)</u>	<u>(422 206 982)</u>	<u>(414 275 031)</u>	<u>(386 892 337)</u>
Net cash flows from operating activities	31	<u>229 048 141</u>	<u>213 758 390</u>	<u>204 467 361</u>	<u>212 651 424</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(201 783 705)	(208 654 983)	(177 563 906)	(204 511 708)
Proceeds from sale of property, plant and equipment		1 662 532	-	1 662 532	-
Purchase of intangible assets	9	(2 699)	(23 218)	(2 699)	(23 218)
Net cash flows from investing activities		<u>(200 123 872)</u>	<u>(208 678 201)</u>	<u>(175 904 073)</u>	<u>(204 534 926)</u>
Cash flows from financing activities					
Repayment of non-current loans		(845 476)	(853 901)	(845 476)	(853 901)
Net increase/(decrease) in cash and cash equivalents		<u>28 078 793</u>	<u>4 226 288</u>	<u>27 717 812</u>	<u>7 262 597</u>
Cash and cash equivalents at the beginning of the year		36 749 698	32 523 410	34 577 736	27 315 139
Cash and cash equivalents at the end of the year	7	<u>64 828 491</u>	<u>36 749 698</u>	<u>62 295 548</u>	<u>34 577 736</u>

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	35 669 000	(9 889 000)	25 780 000	30 788 710	5 008 710	
Rental of facilities and equipment	137 346	(55 127)	82 219	208 830	126 611	
Interest received	4 340 345	221 655	4 562 000	6 958 166	2 396 166	
Other income	12 258 633	(2 386 360)	9 872 273	7 709 261	(2 163 012)	
Total revenue from exchange transactions	52 405 324	(12 108 832)	40 296 492	45 664 967	5 368 475	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	366 972 254	(30 555 769)	336 416 485	672 862 809	336 446 324	
Total revenue	419 377 578	(42 664 601)	376 712 977	718 527 776	341 814 799	
Expenditure						
Employee Related Costs	(144 465 438)	(6 375 278)	(150 840 716)	(152 638 288)	(1 797 572)	
Remuneration of councillors	(8 940 305)	-	(8 940 305)	(7 207 291)	1 733 014	
Depreciation and amortisation	(45 223 462)	6 718 614	(38 504 848)	(75 299 283)	(36 794 435)	
Finance costs	(1 498 863)	557 708	(941 155)	(2 114 582)	(1 173 427)	
Debt Impairment	(18 027 524)	-	(18 027 524)	(29 957 705)	(11 930 181)	
Repairs and maintenance	(35 383 049)	3 876 185	(31 506 864)	(34 519 728)	(3 012 864)	
Bulk purchases	(89 912 229)	-	(89 912 229)	(101 705 233)	(11 793 004)	
Contracted Services	(32 859 289)	(13 193 669)	(46 052 958)	(44 689 137)	1 363 821	
Grants and subsidies	(10 000 000)	10 000 000	-	-	-	
General Expenses	(32 054 173)	(4 283 472)	(36 337 645)	(24 723 339)	11 614 306	
Total expenditure	(418 364 332)	(2 699 912)	(421 064 244)	(472 854 586)	(51 790 342)	
Surplus before taxation	1 013 246	(45 364 513)	(44 351 267)	245 673 190	290 024 457	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 013 246	(45 364 513)	(44 351 267)	245 673 190	290 024 457	

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	136 923 807	-	136 923 807	121 121 909	(15 801 898)	
Receivables from exchange transactions	22 685 580	-	22 685 580	45 461 654	22 776 074	
Other receivables from exchange transactions	39 667 825	-	39 667 825	6 685 279	(32 982 546)	
VAT receivable	-	-	-	36 695 943	36 695 943	
Cash and cash equivalents	24 444 710	-	24 444 710	64 828 491	40 383 781	
	223 721 922	-	223 721 922	274 793 276	51 071 354	
Non-Current Assets						
Property, plant and equipment	1 724 953 537	-	1 724 953 537	1 968 051 224	243 097 687	
Intangible assets	365 000	-	365 000	192 350	(172 650)	
Heritage assets	586 000	-	586 000	586 000	-	
	1 725 904 537	-	1 725 904 537	1 968 829 574	242 925 037	
Total Assets	1 949 626 459	-	1 949 626 459	2 243 622 850	293 996 391	
Liabilities						
Current Liabilities						
Payables from exchange transactions	65 151 320	-	65 151 320	215 753 034	150 601 714	
Consumer deposits	-	-	-	1 396 340	1 396 340	
Unspent conditional grants and receipts	-	-	-	26 361 249	26 361 249	
Current portion of defined benefit obligation	-	-	-	1 296 000	1 296 000	
Current portion of loans	893 000	-	893 000	986 127	93 127	
	66 044 320	-	66 044 320	245 792 750	179 748 430	
Non-Current Liabilities						
Other financial liabilities	-	-	-	22 154 396	22 154 396	
Defined benefit obligation	-	-	-	7 027 000	7 027 000	
Non current loans	7 528 000	-	7 528 000	5 355 931	(2 172 069)	
	7 528 000	-	7 528 000	34 537 327	27 009 327	
Total Liabilities	73 572 320	-	73 572 320	280 330 077	206 757 757	
Net Assets	1 876 054 139	-	1 876 054 139	1 963 292 773	87 238 634	
Net Assets						
Reserves						
Accumulated surplus	1 876 054 139	-	1 876 054 139	1 963 292 772	87 238 633	

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	34 504 456	(19 300 746)	15 203 710	21 036 541	5 832 831	
Grants	604 307 000	(17 999 704)	586 307 296	626 972 778	40 665 482	
Interest income	4 256 000	(1 890 970)	2 365 030	6 958 166	4 593 136	
Other receipts	12 189 457	60 930 935	73 120 392	727 876	(72 392 516)	
	655 256 913	21 739 515	676 996 428	655 695 361	(21 301 067)	
Payments						
Suppliers and Employee costs	(394 577 821)	-	(394 577 821)	(425 245 239)	(30 667 418)	
Finance costs	(1 498 863)	-	(1 498 863)	(1 401 979)	96 884	
	(396 076 684)	-	(396 076 684)	(426 647 218)	(30 570 534)	
Net cash flows from operating activities	259 180 229	21 739 515	280 919 744	229 048 143	(51 871 601)	
Purchase of property, plant and equipment	(257 964 500)	(29 109 575)	(287 074 075)	(201 783 709)	85 290 366	
Proceeds from sale of property, plant and equipment	-	1 200 000	1 200 000	1 662 532	462 532	
Purchase intangible assets	-	-	-	(2 699)	(2 699)	
Net cash flows from investing activities	(257 964 500)	(27 909 575)	(285 874 075)	(200 123 876)	85 750 199	
Cash flows from financing activities						
Repayment of non-current loans	(3 045 716)	1 560 604	(1 485 112)	(845 476)	639 636	
Movement in other liability 1	21 000	20 900	41 900	-	(41 900)	
Net cash flows from financing activities	(3 024 716)	1 581 504	(1 443 212)	(845 476)	597 736	
Net increase/(decrease) in cash and cash equivalents	(1 808 987)	(4 588 556)	(6 397 543)	28 078 791	34 476 334	
Cash and cash equivalents at the beginning of the year	22 316 710	12 309 000	34 625 710	36 749 698	2 123 988	
Cash and cash equivalents at the end of the year	20 507 723	7 720 444	28 228 167	64 828 489	36 600 322	

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

The consolidated annual financial statements comprise the annual financial statements of Umkhanyakude District Municipality (Controlling entity) and Umhlosinga Development Agency (Municipal entity), which is controlled by the Municipality.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The consolidated annual financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Definitions:

Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.

Controlling entity is an entity that has one or more controlled entities.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Impairment of assets.
Defined benefit obligations for long service awards.
Useful lives and residual values of property, plant, and equipment.
Water and electricity losses.

Trade and other receivables

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

Defined benefit obligations

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

Taxation

The Municipality's entity, Umhlosinga Development Agency, is a registered tax payer for income tax purposes.

Amounts included in taxable income have been provided for and recognised in the annual financial statements as normal tax payable.

Future tax benefits related to deferred income tax assets are recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Allowance for doubtful debts

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

Item	Average useful life
Land	Not depreciated
Buildings	
• Residential dwellings	10-15 years
• Non residential dwellings	15-25 years
• Electricity	5-60 years
• Water	5-100 years
• Sewerage	10-40 years
• Airports	15-30 years
Other	
• Furniture and office equipment	5-10 years
• Computer equipment	3-5 years
• Transport assets	5-7 years
• Other machinery and equipment	5-15 years

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

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

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

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

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Intangible assets

Intangible assets are initially recognised at cost when they are identifiable.

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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.

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

Item	Average useful life
Computer software	5

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

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

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

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

Recognition

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Loans payable	Financial liability measured at amortised cost

Initial recognition

The economic entity recognises a financial asset or a financial liability in its statement of financial position when the economic entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The economic entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The economic entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The economic entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The economic entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the economic entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The economic entity removes a financial liability (or a part of a financial liability) from its consolidated statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as income or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the consolidated statement of financial position when the economic entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Receivables from trade transactions

Receivables from exchange transactions are measured at amortised cost.

Payables from exchange transactions

Trade and other payables are measured at amortised cost.

Loans payable

Loans payable are measured at amortised cost

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at amortised cost.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Tax

Current tax assets and liabilities

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

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

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

1.10 Leases

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in consolidated statement of financial performance.

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

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

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

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

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

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

Identification

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

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

1.14 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits (continued)

Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.16 Commitments

Commitment is referred to as the intention to commit to an outflow from the municipality's resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. A municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the consolidated financial statements, if both the following criteria are met:

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Commitments (continued)

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

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

Measurement

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

Rendering of services

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

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

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

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

Service revenue comprises of electricity, water and sewer and is recognised based on consumption by consumers. Service revenue from prepaid electricity is recognised based on electricity purchase by consumers. .

1.18 Revenue from non-exchange transactions

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the economic entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit. Non-exchange transactions are defined as transactions where the economic entity receives value from another entity without directly giving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the economic entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

When, as a result of a non-exchange transaction, the economic entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.19 Interest income

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

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

“Unauthorised expenditure”, in relation to a municipality or municipal entity, means any expenditure incurred by a economic entity otherwise than in accordance with section 15 or 11(3) of MFMA, and includes-

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; or
- spending of an allocation referred to in paragraph (b), (c), (d) or (e) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation;

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure in relation to a municipality or municipal entity, means -

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 of that Act;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure."

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic 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.

1.25 Use of estimates

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value;
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance;
- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk water and electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General Expenses which constitute several expense items which are not individually significant.

Offsetting

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

1.27 Consumer deposits

Consumer deposits represents security held by the municipality in respect of new consumer accounts opened. Once application for connection of services are made consumers are required to pay a nominal fee which is recognised as a Consumer deposit.

Consumer deposits are recognised at their nominal or carrying value.

Upon closure of a consumer's account the deposit is subsequently refunded by the economic entity to the consumer.

1.28 Offsetting

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

1.29 Budget information

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

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

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

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.29 Budget information (continued)

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

Comparative information is not required.

1.30 Related parties

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

A related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

A related party transaction is a transfer of resources, services or obligations between the reporting economic entity and a related party, regardless of whether a price is charged.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the consolidated financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the consolidated financial statements.

1.32 Changes accounting estimates and judgements

The economic entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assets Useful Lives

Plant and equipment is depreciated over its useful life. The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

1.33 VAT

The Municipality is a registered VAT vendor and accounts for declaration and submission of VAT returns on a cash basis.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.33 VAT (continued)

VAT as disclosed in the annual financial statements have been prepared on the accrual basis.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:

- GRAP 18: Segment Reporting
- GRAP 20: Related party disclosures
- GRAP 32: Service Concession Arrangement: Grantor
- GRAP 34: Separate Financial Statements
- GRAP 35: Consolidated Financial statements
- GRAP 36: Investments in Associates and Joint Ventures
- GRAP 37: Joint Arrangements
- GRAP 38 : Disclosure of interest in other entities
- GRAP 108 : Statutory receivables
- Additional text
- GRAP 109: Accounting by Principals and Agents
- GRAP 110 : Living and Non-Living Resources
- IGRAP 17: Service Concession Arrangement Where a Grantor Controls a Significant Residual Interest in an Asset Service Concession Arrangement
- IGRAP 18: Recognition and Derecognition of Land

Effective date:

Years beginning on or after

- 1 April 2020.
- 1 April 2019.
- 1 April 2019.
- No effective date.
- 1 April 2019.
- 1 April 2020.
- No effective date.
- 1 April 2019.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
3. Inventories				
Materials	107 422 789	111 779 144	107 422 789	111 779 144
Water	1 658 760	1 026 231	1 658 760	1 026 231
Water meters	12 040 360	12 040 360	12 040 360	12 040 360
	121 121 909	124 845 735	121 121 909	124 845 735
Inventory is carried at its original cost.				
Inventory pipes to the value of R336 653 were used for sewer connection and the total value was capitalised to infrastructure assets. The other movement of R4 019 703 was unaccounted for and was recognised as expense.				
4. Receivables from exchange transactions				
Gross balances				
Electricity	14 439 192	21 954 072	14 439 192	21 954 072
Water	39 307 011	117 049 999	39 307 011	117 049 999
Sewerage	43 080 893	44 263 310	43 080 893	44 263 310
WSSA debtors	6 948 586	3 219 169	6 948 586	3 219 169
Department of education	1 776 165	7 933 061	-	-
	105 551 847	194 419 611	103 775 682	186 486 550
Less: Allowance for impairment				
Allowance for impairment - Service charges	(60 090 193)	(130 622 099)	(60 090 193)	(130 622 099)
Net balance				
Receivables from exchange transactions	45 461 654	63 797 512	43 685 489	55 864 451
Department of education				
Current (0 -30 days)	-	2 840 280	-	-
31 - 60 days	-	2 334 030	-	-
61 - 90 days	-	530 929	-	-
91 - 120 days	-	2 227 823	-	-
>120 days	1 776 165	-	-	-
	1 776 165	7 933 062	-	-
Electricity				
Current (0 -30 days)	440 440	98 795	440 440	98 795
31 - 60 days	335 965	166 851	335 965	166 851
61 - 90 days	208 801	182 219	208 801	182 219
91 - 120 days	541 355	81 230	541 355	81 230
>120 days	12 912 631	21 424 977	12 912 631	21 424 977
	14 439 192	21 954 072	14 439 192	21 954 072
Water				
Current (0 -30 days)	1 108 708	515 531	1 108 708	515 531
31 - 60 days	845 716	870 675	845 716	870 675
61 - 90 days	525 608	950 869	525 608	950 869
91 - 120 days	952 805	423 881	952 805	423 881
>120 days	35 874 174	114 289 043	35 874 174	114 289 043
	39 307 011	117 049 999	39 307 011	117 049 999

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

4. Receivables from exchange transactions (continued)

Sewerage

Current (0 -30 days)	1 329 091	200 950	1 329 091	200 950
31 - 60 days	1 013 823	339 381	1 013 823	339 381
61 - 90 days	630 086	370 640	630 086	370 640
91 - 120 days	1 142 199	165 225	1 142 199	165 225
>120 days	38 965 694	43 187 114	38 965 694	43 187 114
	43 080 893	44 263 310	43 080 893	44 263 310

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
4. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	701 376	339 996	701 376	339 996
31 - 60 days	541 633	517 695	541 633	517 695
61 - 90 days	109 667	663 532	109 667	663 532
91 - 120 days	1 067 002	296 531	1 067 002	296 531
>120 days	61 003 077	139 516 993	61 003 077	139 516 993
	63 422 755	141 334 747	63 422 755	141 334 747
Less: Allowance for impairment	(49 295 509)	(112 969 766)	(49 295 509)	(112 969 766)
	14 127 246	28 364 981	14 127 246	28 364 981
Commercial				
Current (0 -30 days)	1 153 649	299 749	1 153 649	299 749
31 - 60 days	1 058 998	644 949	1 058 998	644 949
61 - 90 days	632 174	520 711	632 174	520 711
91 - 120 days	1 271 777	283 944	1 271 777	283 944
>120 days	18 124 509	27 865 460	18 124 509	27 865 460
	22 241 107	29 614 813	22 241 107	29 614 813
Less: Allowance for impairment	(10 794 685)	(16 879 912)	(10 794 685)	(16 879 912)
	11 446 422	12 734 901	11 446 422	12 734 901
National and provincial government				
Current (0 -30 days)	1 089 682	3 025 782	1 089 682	185 502
31 - 60 days	660 240	2 553 250	660 240	219 220
61 - 90 days	622 416	847 591	622 416	316 666
91 - 120 days	2 178 410	2 321 903	2 178 410	94 080
>120 days	6 612 486	9 733 911	6 612 486	9 733 911
	11 163 234	18 482 437	11 163 234	10 549 379
Total				
Current (0 -30 days)	2 878 239	3 665 528	2 878 239	825 248
31 - 60 days	2 195 504	3 715 894	2 195 504	1 381 864
61 - 90 days	1 364 258	2 031 838	1 364 495	1 500 909
91 - 120 days	2 636 359	2 902 377	2 636 359	674 554
>120 days	84 341 534	175 181 587	84 341 534	175 181 587
	93 415 894	187 497 224	93 416 131	179 564 162
Add: Credit balance debtors	3 410 965	3 703 219	3 410 965	3 703 219
Add: WSSA debtors	6 948 586	3 219 169	6 948 586	3 219 169
	103 775 445	194 419 612	103 775 682	186 486 550
Less: Allowance for impairment				
91 - 120 days	(141 483)	(130 315)	(141 483)	(130 315)
>120 days	(59 948 300)	(130 491 784)	(59 948 300)	(130 491 784)
	(60 089 783)	(130 622 099)	(60 089 783)	(130 622 099)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(130 622 099)	(125 359 299)	(130 622 099)	(125 359 299)
Contributions to allowance	70 531 906	(5 262 800)	70 531 906	(5 262 800)
	(60 090 193)	(130 622 099)	(60 090 193)	(130 622 099)

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
5. Other receivables from exchange transactions				
Other debtors	6 685 279	8 554 956	6 685 279	8 554 956
6. VAT receivable				
The VAT receivable balance is comprised of:				
Input VAT claimed through VAT 201 returns	31 149 152	51 966 698	26 929 663	51 062 763
Undeclared VAT output	(10 984 105)	(9 663 206)	(10 984 105)	(9 663 206)
Unclaimed VAT input	16 530 896	20 673 748	16 530 896	20 673 748
	36 695 943	62 977 240	32 476 454	62 073 305
7. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	53	1 005	-	-
Bank balances	63 751 335	35 729 333	61 225 991	33 565 539
Call account balances	1 077 103	1 019 360	1 069 557	1 012 197
	64 828 491	36 749 698	62 295 548	34 577 736

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

7. Cash and cash equivalents (continued)

The municipality and its municipal entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Municipality Accounts						
First National Bank - Demand deposit - 62092993809	651 178	619 401	587 008	651 178	619 401	587 008
First National Bank - Demand deposit - 62027696478	97 969	94 147	90 241	97 969	94 147	90 241
First National Bank - Primary Account: 62026865321	52 367 266	13 607 279	11 418 571	52 367 266	13 607 279	11 418 571
ABSA Bank - 40-5310-7423	8 124 072	4 977 950	673 798	8 124 072	4 977 950	673 798
Ithala Bank - Club Account 23247671	636 685	614 609	580 439	636 685	614 609	580 439
ABSA Bank - Call Account - 91-1531-5268	385 390	361 234	13 886 098	385 390	361 234	13 886 098
First National Bank - Money Market Account - 62263733258	30 185	28 911	28 205	30 185	28 911	28 205
First National Bank - Business Call Account - 62309788498	2 803	2 651	2 499	2 803	2 651	2 499
ABSA Bank - Fixed deposit- 2076739152	-	14 271 554	-	-	14 271 554	-
Municipal Entity Accounts						
Nedbank - Primary Cheque Account-1029736839	2 525 344	2 163 794	200 528	2 525 344	2 163 794	200 528
Nedbank - Call Account	7 546	7 163	5 006 781	7 546	7 163	5 006 781
Cash on Hand	-	-	-	53	105	-
Total	64 828 438	36 748 693	32 474 168	64 828 491	36 748 798	32 474 168

8. Property, plant and equipment

Economic entity	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	66 998 243	(16 053 771)	50 944 472	93 542 059	(13 949 043)	79 593 016
Infrastructure	2 103 689 186	(203 571 760)	1 900 117 426	1 905 236 631	(170 661 595)	1 734 575 036
Other property, plant and equipment	40 358 357	(24 526 283)	15 832 074	41 328 597	(25 547 239)	15 781 358
Total	2 212 203 036	(244 151 814)	1 968 051 222	2 041 264 537	(210 157 877)	1 831 106 660

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Controlling entity	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	66 998 243	(16 053 771)	50 944 472	93 542 059	(13 949 043)	79 593 016
Infrastructure	2 075 082 678	(203 434 999)	1 871 647 679	1 900 775 944	(170 661 595)	1 730 114 349
Other property, plant and equipment	39 491 903	(23 780 054)	15 711 849	40 354 788	(24 863 189)	15 491 599
Total	2 182 730 074	(243 268 824)	1 939 461 250	2 035 830 041	(209 473 827)	1 826 356 214

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

2018 2017 2018 2017

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance	Additions	Donations	Disposals	Depreciation	Impairment loss	Closing balance
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	79 593 016	662 216	-	-	(2 104 729)	(27 206 031)	50 944 472
Infrastructure	1 734 575 036	204 696 764	-	-	(32 910 164)	(6 244 210)	1 900 117 426
Other property, plant and equipment	15 781 358	1 084 590	6 750 000	(1 061 730)	(4 973 040)	(1 749 104)	15 832 074
	1 831 106 660	206 443 570	6 750 000	(1 061 730)	(39 987 933)	(35 199 345)	1 968 051 222

Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Donations	Depreciation	Impairment loss	Closing balance
Land	1 157 250	-	-	-	-	1 157 250
Buildings	79 558 453	2 190 867	-	(2 013 104)	(143 200)	79 593 016
Infrastructure	1 476 423 871	285 551 172	4 173 393	(27 885 650)	(3 687 750)	1 734 575 036
Other property, plant and equipment	18 669 220	813 457	-	(3 535 058)	(166 261)	15 781 358
	1 575 808 794	288 555 496	4 173 393	(33 433 812)	(3 997 211)	1 831 106 660

Reconciliation of property, plant and equipment - Controlling entity - 2018

	Opening balance	Additions	Donated assets	Disposals	Depreciation	Impairment loss	Closing balance
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	79 593 016	662 216	-	-	(2 104 729)	(27 206 031)	50 944 472
Infrastructure	1 730 114 349	180 550 945	-	-	(32 773 405)	(6 244 210)	1 871 647 679
Other property, plant and equipment	15 491 599	1 084 590	6 750 000	(1 061 730)	(4 803 506)	(1 749 104)	15 711 849
	1 826 356 214	182 297 751	6 750 000	(1 061 730)	(39 681 640)	(35 199 345)	1 939 461 250

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Donations	Depreciation	Impairment loss	Closing balance
Land	1 157 250	-	-	-	-	1 157 250
Buildings	79 558 453	2 190 867	-	(2 013 104)	(143 200)	79 593 016
Infrastructure	1 476 098 081	281 416 275	4 173 393	(27 885 650)	(3 687 750)	1 730 114 349
Other property, plant and equipment	18 332 946	700 105	-	(3 375 191)	(166 261)	15 491 599
	1 575 146 730	284 307 247	4 173 393	(33 273 945)	(3 997 211)	1 826 356 214

Pledged as security

During the 2018 financial year, Umkhanyakude District Municipality received 15 water tankers from Department of Water Affairs and these trucks were fair valued at R450 000 each.

As at 30 June 2017, Umkhanyakude District Municipality received assets from Umhlabuyalingana Municipality at their carrying amounts of R4 173 393. These assets were recognised in the books of Umkhanyakude District Municipality at their carrying amounts as the carrying amounts were accepted as the good indicators of the fair value of the assets considering that they were only used for one year.

There were no assets pledged as security during the year.

Reconciliation of Work-in-Progress Economic entity - 2018

	Included within Infrastructure	Included within Buildings	Total
Opening balance	598 855 002	34 088 250	632 943 252
Additions	204 696 765	662 215	205 358 980
Projects written off	(6 244 210)	(27 206 031)	(33 450 241)
Transferred to completed assets	(37 758 766)	(2 853 083)	(40 611 849)
	759 548 791	4 691 351	764 240 142

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2017

	Included within Infrastructure	Included within Building	Total
Opening balance	582 840 104	37 259 023	620 099 127
Additions	253 792 335	2 190 868	255 983 203
Transferred to completed assets	(237 777 437)	(5 361 641)	(243 139 078)
	598 855 002	34 088 250	632 943 252

Reconciliation of Work-in-Progress Controlling entity - 2018

	Included within Infrastructure	Included within Buildings	Total
Opening balance	594 394 315	34 088 249	628 482 564
Additions	180 550 945	662 216	181 213 161
Projects written off	(6 244 210)	(27 206 031)	(33 450 241)
Transferred to completed assets	(34 031 001)	(2 853 083)	(36 884 084)
	734 670 049	4 691 351	739 361 400

Reconciliation of Work-in-Progress Controlling entity - 2017

	Included within Infrastructure	Included within Buildings	Total
Opening balance	582 514 314	37 259 023	619 773 337
Additions	249 657 438	2 190 867	251 848 305
Transferred to completed assets	(237 777 437)	(5 361 641)	(243 139 078)
	594 394 315	34 088 249	628 482 564

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.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

9. Intangible assets

Economic entity	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	768 445	(576 095)	192 350	765 746	(464 090)	301 656

Controlling entity	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	768 445	(576 095)	192 350	765 746	(464 090)	301 656

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Amortisation	Closing balance
Computer software	301 656	2 699	(112 005)	192 350

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Amortisation	Closing balance
Computer software	385 802	23 218	(107 364)	301 656

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Amortisation	Closing balance
Computer software	301 656	2 699	(112 005)	192 350

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Amortisation	Closing balance
Computer software	385 802	23 218	(107 364)	301 656

10. Heritage assets

Economic entity	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Controlling entity	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

10. Heritage assets (continued)

	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Reconciliation of heritage assets Economic entity - 2018

	Opening balance	Closing balance
Mayoral regalia	586 000	586 000

Reconciliation of heritage assets Economic entity - 2017

	Opening balance	Closing balance
Mayoral regalia	586 000	586 000

Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Closing balance
Mayoral regalia	586 000	586 000

Reconciliation of heritage assets Controlling entity - 2017

	Opening balance	Closing balance
Mayoral regalia	586 000	586 000

Recognition of heritage assets

The deemed cost of the mayoral chain was determined using fair value. The fair value was determined by a Corlia Luyt, an independent jewellery designer and manufacturer, on 23 August 2016.

11. Payables from exchange transactions

Trade payables	178 888 419	282 270 971	170 928 537	275 774 210
Umhlosinga Payables	-	-	9 293 222	5 030 158
Debtor prepayments	3 410 965	3 703 219	3 410 965	3 703 219
Employee deductions and suspense accounts	594 085	4 325 170	594 085	4 325 170
Accruals for 13th cheque payments	3 543 142	3 234 937	3 543 142	3 234 937
Accruals for leave pay	12 394 953	13 530 026	12 159 899	13 246 954
Retentions	16 921 470	15 605 666	16 921 470	15 605 666
	215 753 034	322 669 989	216 851 320	320 920 314

12. Consumer deposits

Consumer deposits - water	1 396 340	1 377 510	1 396 340	1 377 510
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Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
13. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
ACIP Grant	4 695	4 695	4 695	4 695
CATHSETA Bursary Grant	121 621	-	-	-
Councillors Training	11 300	11 300	11 300	11 300
Disaster Management Grant	9 120	9 120	9 120	9 120
EDTEA Grant	6 761 934	6 289 012	6 880 747	-
Environmental Management Grant	405 600	405 600	405 600	405 600
Industrial Development Corporation Grant	700 135	700 135	-	-
Ingwavuma Prison Electrical Upgrade	101 506	101 506	101 506	101 506
Kwadapha	578 891	578 891	578 891	578 891
Kwazibi National Lottery Grant	122 667	122 667	122 667	122 667
Lake Tete	267 001	267 001	267 001	267 001
Mabibi National Lottery Grant	166 667	166 667	166 667	166 667
Massification Grant	4 172 492	4 172 492	4 172 492	4 172 492
Mkuze Market Stalls Grant	-	116 280	-	-
Mkuze Re-Generation Plan Grant	-	309 096	-	-
Mqobela National Lottery Grant	166 666	166 666	166 666	166 666
MTN Grant	515 703	515 703	-	-
Municipal Infrastructure Grant	-	15 410 451	-	15 410 451
National Treasury ILO Grant	212 173	212 173	-	-
Ndumo Learners Shelter Grant	9 441 505	9 441 505	9 441 505	9 441 505
Ndumo Market Stalls Grant	-	277 310	-	-
Ngodini Boarder Curve Grant	1 000 000	-	1 000 000	-
Nyezi Community HIV Centre	303 570	303 570	303 570	303 570
PIMMS/ NDT Operational Grant	300	300	300	300
Public Participation Customer Satisfaction Survey	154 000	154 000	154 000	154 000
Rural Road & Transport Management Grant	89 447	-	89 447	-
Waste Management Grant	145 566	145 566	145 566	145 566
Umkhombe Tours	908 690	908 690	908 690	908 690
Water Services Infrastructure Grant	-	32 205 315	-	32 205 315
	26 361 249	72 995 711	24 930 430	64 576 002

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

14. Defined benefit plan Obligation

Reconciliation of defined benefit plan obligation - Economic entity - 2018

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial loss	Closing balance
Long service awards	7 046 000	769 000	737 000	(526 047)	297 047	8 323 000

Reconciliation of defined benefit plan obligation - Economic entity - 2017

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial gains	Closing balance
Long service awards	6 169 000	817 000	649 000	(464 295)	(124 705)	7 046 000

Reconciliation of defined benefit plan obligation - Controlling entity - 2018

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial loss	Closing balance
Long service awards	7 046 000	769 000	737 000	(526 047)	297 047	8 323 000

Reconciliation of defined benefit plan obligation - Controlling entity - 2017

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial gains	Closing balance
Long service awards	6 169 000	817 000	649 000	(464 295)	(124 705)	7 046 000

Defined benefit plan obligation disclosed in the Statement of Financial

Position as:

Non-current liabilities	7 027 000	6 512 000	7 027 000	6 512 000
Current liabilities	1 296 000	534 000	1 296 000	534 000
	8 323 000	7 046 000	8 323 000	7 046 000

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

14. Defined benefit plan Obligation (continued)

Long service awards

Membership Data

As at 30 June 2018, the number of members entitled to receive long service leave awards from the Municipality were:

Gender	Number of active employees	Salary weighted average age (Years)	Weighted Average past service (Years)
Male	184	43.92	9.56
Female	101	41.30	9.56
Total	285.		

Long service awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. Awarded leave days are converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The nominal and real zero curves as at 30 June 2018 supplied by the JSE were used to determine the discounted rates and CPI assumptions. As reflected below, the average age for mortality, retirements and withdrawals from service were also considered.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. It is further assumed that the current policy for awarding long service awards remains unchanged in the future.

The table below reflects a summary of the benefit policy:

Completed years of service	Total long service benefit awards (% of annual salary)	Formula used to calculate Total long service benefit award
10	4%	$(10/250) \times \text{Annual salary}$
15	8%	$(20/250) \times \text{Annual salary}$
20,25,30,35,40 and 45	12%	$(30/250) \times \text{Annual salary}$

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

14. Defined benefit plan Obligation (continued)

Valuation Assumptions - Key Financial Variables	Assumed value 30 June 2018	Assumed value 30 June 2017
Discount rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve**	Difference between nominal and real yield curve**
Normal salary increase	CPI + 1%	6%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based
Average retirement age for all active employees	63	63
Mortality before retirement	SA 85-90	SA 85-90.

The table below sets out the assumed rates of withdrawal from services:

Age band	Males	Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 -59	1%	1%
Age 60+	0%	0%.

Valuation of assets

As at the valuation date, the long service leave liability award of the economic entity was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

Amounts recognised in the Statement of Financial Position

Accrued defined benefit obligation	8 323 000	7 046 000	8 323 000	7 046 000
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Reconciliation of accrued defined benefit obligation:

Long service awards

Accrued liability as at preceding valuation date	7 046 000	6 169 000	7 046 000	6 169 000
Current service cost	769 000	817 000	769 000	817 000
Interest cost	737 000	649 000	737 000	649 000
Benefits paid	(526 047)	(464 295)	(526 047)	(464 295)
Actuarial (gain)/loss	297 047	(124 705)	297 047	(124 705)
Balance at year end	8 323 000	7 046 000	8 323 000	7 046 000

Net amounts recognised in Statement of Financial Performance

Current service cost	769 000	817 000	769 000	817 000
Interest cost	737 000	649 000	737 000	649 000
Benefits paid	(526 047)	(464 295)	(526 047)	(464 295)
Actuarial gain/(loss)	297 047	(124 705)	297 047	(124 705)
	1 277 000	877 000	1 277 000	877 000

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
15. Non-current loans				
Development Bank of Southern Africa Loans				
Non-current portion of borrowings	5 355 931	6 207 357	5 355 931	6 207 357
Current portion of borrowings (including interest accrual)	986 127	1 003 312	986 127	1 003 312
	6 342 058	7 210 669	6 342 058	7 210 669
DBSA				
The municipality received two (2) loans from Development Bank of Southern Africa (DBSA) to fund the construction of the municipal buildings. The interest rates per each loan are as follows:				
Loan 61000800, fixed interest rate at 6.75%				
Loan 61000191, semi- floating interest rate. Interest reference is 6 Month Jibar (current base interest plus the margin).				
Loan repayments are due bi-annually (i.e. on 31 March and 30 September each calendar year) with the final redemption date being 30 September 2025.				
16. Long term Trade and other payables				
At amortised cost				
Trade and other payables	22 154 396	-	22 154 396	-
36 equal monthly instalments, 5% interest				
Barzani Development (Pty) Ltd				
During the 2018 financial year, the municipality entered into a settlement agreement with Barzani Development (Pty) Ltd in which the amount of R 32 429 5978 owing to Barzani will be repaid in 36 equal monthly instalments. The amount (R22 154 396) payable to Barzani after 12 months was reclassified from current liabilities to non current liabilities and the balance of (R10 275 202 is included in trade and other payables as current liabilities (Refer to note 11). The full amount carries an effective interest of 5%.				
17. Service charges				
Sale of electricity	6 141 212	5 262 044	6 141 212	5 262 044
Sale of water	23 941 538	13 771 141	23 941 538	13 771 141
Sewerage and sanitation charges	705 960	508 499	705 960	508 499
	30 788 710	19 541 684	30 788 710	19 541 684
18. Rental of facilities and equipment				
Facilities and equipment				
Rental of facilities	208 830	56 310	208 830	56 310
19. Investment revenue				
Interest income				
Interest on investment balances	4 276 622	2 402 904	4 260 086	2 213 099
Interest on other bank balances	2 681 544	2 902 114	2 681 544	2 902 114
	6 958 166	5 305 018	6 941 630	5 115 213

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
20. Other income				
Airport fees	84 506	69 513	-	-
Commission	35 550	-	35 550	-
Connection fees	48 675	21 723	48 675	21 723
Department of Water and Sanitation refund	-	11 666 297	-	11 666 297
Donations Income	6 750 000	4 173 393	6 750 000	4 173 393
Fines and penalties	18 450	-	18 450	-
Gains on sale of assets	440 215	-	440 215	-
Refund from SETA	268 037	-	268 037	-
Sale of tender documents	63 828	198 866	63 828	171 234
Sundry revenue	-	116 000	-	16 000
	7 709 261	16 245 792	7 624 755	16 048 647

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Government grants and subsidies				
Operating grants				
Equitable share	330 020 451	292 147 158	330 020 451	292 147 158
Expanded Public Works Programme	1 008 000	1 293 000	1 008 000	1 293 000
Finance Management Grant	1 250 000	1 250 000	1 250 000	1 250 000
National school Nutrition Program	8 263 778	23 197 434	-	-
Ndumo Groundnuts	-	353 847	-	353 847
Rural Road and Transport Management Grant	2 529 553	-	2 529 553	-
Shared Services Grant	-	54 540	-	54 540
Other Operating Grants	28 675 712	7 863 727	662 215	2 190 868
	371 747 494	326 159 706	335 470 219	297 289 413
Capital grants				
Municipal Infrastructure Grant	218 910 000	192 111 543	218 910 000	192 111 543
Water services Infrastructure Grant	82 205 315	38 165 685	82 205 315	38 165 685
	301 115 315	230 277 228	301 115 315	230 277 228
	672 862 809	556 436 934	636 585 534	527 566 641
Public Participation & Customer Satisfaction Survey Grant				
Balance unspent at beginning of year	154 000	154 000	154 000	154 000
Conditions still to be met - remain liabilities (see note 13).				
PIMMS / NDT Operational Grant				
Balance unspent at beginning of year	300	300	300	300
Conditions still to be met - remain liabilities (see note 13).				
Financial Management Grant				
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	-	-	-	-
Massification Grant				
Balance unspent at beginning of year	4 172 492	4 172 492	4 172 492	4 172 492
Conditions still to be met - remain liabilities (see note 13).				
Kwazibi National Lottery Grant				
Balance unspent at beginning of year	122 667	122 667	122 667	122 667
Conditions still to be met - remain liabilities (see note 13).				
Mqobela National Lottery Grant				
Balance unspent at beginning of year	166 666	166 666	166 666	166 666
Conditions still to be met - remain liabilities (see note 13).				

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Government grants and subsidies (continued)				
Mabibi National Lottery Grant				
Balance unspent at beginning of year	166 667	166 667	166 667	166 667
Conditions still to be met - remain liabilities (see note 13).				
Disaster Management Grant				
Balance unspent at beginning of year	9 120	9 120	9 120	9 120
Conditions still to be met - remain liabilities (see note 13).				
Rural Road & Transport Management				
Balance unspent at beginning of year	-	2 446 931	-	2 446 931
Current-year receipts	2 619 000	-	2 619 000	-
Unspent Grants paid back	-	(2 446 931)	-	(2 446 931)
Conditions met - transferred to revenue	(2 529 553)	-	(2 529 553)	-
	89 447	-	89 447	-
Conditions still to be met - remain liabilities (see note 13).				
Ndumo Groundnuts Grant				
Balance unspent at beginning of year	-	353 847	-	353 847
Conditions met - transferred to revenue	-	(353 847)	-	(353 847)
	-	-	-	-
Expanded Public Works Programme				
Balance unspent at beginning of year	-	2 331 774	-	2 331 774
Current-year receipts	1 008 000	1 293 000	1 008 000	1 293 000
Conditions met - transferred to revenue	(1 008 000)	(1 293 000)	(1 008 000)	(1 293 000)
Unspent Grant withheld from Equitable share	-	(2 331 774)	-	(2 331 774)
	-	-	-	-
Lake Tete Grant				
Balance unspent at beginning of year	267 001	267 001	267 001	267 001
Conditions still to be met - remain liabilities (see note 13).				
Kwadapha Grant				
Balance unspent at beginning of year	578 891	578 891	578 891	578 891
Conditions still to be met - remain liabilities (see note 13).				
Nyezi Community HIV Centre Grant				
Balance unspent at beginning of year	303 570	303 570	303 570	303 570

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Government grants and subsidies (continued)				
Conditions still to be met - remain liabilities (see note 13).				
Umkhombe Tours Grant				
Balance unspent at beginning of year	908 690	908 690	908 690	908 690
Conditions still to be met - remain liabilities (see note 13).				
Waste Management Grant				
Balance unspent at beginning of year	145 565	145 565	145 565	145 565
Conditions still to be met - remain liabilities (see note 13).				
Environmental Management Grant				
Balance unspent at beginning of year	405 600	405 600	405 600	405 600
Conditions still to be met - remain liabilities (see note 13).				
Ndumo Learners Shelter Grant				
Balance unspent at beginning of year	9 441 505	9 441 505	9 441 505	9 441 505
Conditions still to be met - remain liabilities (see note 13).				
Municipal Infrastructure Grant				
Balance unspent at beginning of year	15 410 451	-	15 410 451	-
Current-year receipts	218 910 000	207 522 000	218 910 000	207 522 000
Conditions met - transferred to revenue	(218 910 000)	(192 111 549)	(218 910 000)	(192 111 549)
Unspent Grant withheld from Equitable share	(15 410 451)	-	(15 410 451)	-
	-	15 410 451	-	15 410 451
Councillors Training Grant				
Balance unspent at beginning of year	11 300	11 300	11 300	11 300
Conditions still to be met - remain liabilities (see note 13).				
Ingwavuma Prison Electrical Upgrade				
Balance unspent at beginning of year	101 506	101 506	101 506	101 506
Conditions still to be met - remain liabilities (see note 13).				
Water Services Operating Subsidy				
Balance unspent at beginning of year	-	1 945 954	-	1 945 954
Conditions met - transferred to revenue	-	(1 945 954)	-	(1 945 954)
	-	-	-	-
Shared Services Grant				

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Government grants and subsidies (continued)				
Balance unspent at beginning of year	-	54 540	-	54 540
Conditions met - transferred to revenue	-	(54 540)	-	(54 540)
	-	-	-	-
Rural Household Infrastructure Grant				
Balance unspent at beginning of year	-	8 498	-	8 498
Unspent grants withheld from Equitable share	-	(8 498)	-	(8 498)
	-	-	-	-
Ngodini Boarder Curve Grant				
Current-year receipts	1 000 000	-	1 000 000	-
Conditions still to be met - remain liabilities (see note 13).				
ACIP Grant				
Balance unspent at beginning of year	4 695	4 695	4 695	4 695
Conditions still to be met - remain liabilities (see note 13).				
Water Service Infrastructure Grant				
Balance unspent at beginning of year	32 205 315	-	32 205 315	-
Current-year receipts	50 000 000	70 371 000	50 000 000	70 371 000
Conditions met - transferred to revenue	(82 205 315)	(38 165 685)	(82 205 315)	(38 165 685)
	-	32 205 315	-	32 205 315
Ndumo Market Stalls Grant: COGTA				
Balance unspent at beginning of year	277 310	2 992 861	-	-
Conditions met - transferred to revenue	(277 310)	(2 715 551)	(662 215)	(2 190 867)
	-	277 310	-	-
Mkuze Regeneration Framework				
Balance unspent at beginning of year	309 096	446 289	-	-
Conditions met - transferred to revenue	(309 096)	(137 193)	-	-
	-	309 096	-	-
Mkuze Market Stalls Grant				
Balance unspent at beginning of year	116 280	400 500	-	-
Conditions met - transferred to revenue	(116 280)	(284 220)	-	-
	-	116 280	-	-
IDC Grant				
Balance unspent at beginning of year	700 135	700 873	-	-
Conditions met - transferred to revenue	-	(738)	-	-

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Government grants and subsidies (continued)	700 135	700 135	-	-
Conditions still to be met - remain liabilities (see note 13).				
National Treasury: ILO Grant				
Balance unspent at beginning of year	212 173	212 173	-	-
Conditions still to be met - remain liabilities (see note 13).				
MTN Grant				
Balance unspent at beginning of year	515 703	515 703	-	-
Conditions still to be met - remain liabilities (see note 13).				
Mkuze Fencing and Runway (EDTEA) grant				
Balance unspent at beginning of year	6 289 012	5 015 037	-	-
Current-year receipts	28 100 000	6 000 000	6 880 747	-
Conditions met - transferred to revenue	(27 627 078)	(4 726 025)	-	-
	6 761 934	6 289 012	6 880 747	-
Conditions still to be met - remain liabilities (see note 13).				
National Schools Nutrition Programme Grant				
Current-year receipts	8 263 778	23 197 434	-	-
Conditions met - transferred to revenue	(8 263 778)	(23 197 434)	-	-
	-	-	-	-
CATHSETA Bursary Grant				
Current-year receipts	1 212 000	-	-	-
Conditions met - transferred to revenue	(1 090 379)	-	-	-
	121 621	-	-	-
Conditions still to be met - remain liabilities (see note 13).				

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
22. Employee related costs				
Basic	109 685 708	104 497 012	104 384 331	99 441 280
Bonus*	6 217 769	-	6 217 769	-
Medical aid - company contributions	21 032 098	20 775 632	20 364 415	20 221 856
Staff retirement benefits	972 086	929 779	-	-
Travel, motor car, accommodation, subsistence and other allowances	6 842 098	6 383 310	6 842 098	6 383 310
Overtime payments	6 802 953	3 145 630	6 802 953	3 145 630
Housing benefits and allowances	1 068 539	556 085	1 068 539	556 085
Leave pay accrual charge	17 037	4 320 996	65 055	4 220 989
	152 638 288	140 608 444	145 745 160	133 969 150

*During the 2017 financial year, bonuses paid were included in basic remuneration.

Remuneration of municipal manager

Annual Remuneration	1 423 502	799 521	1 423 502	799 521
Travel, housing and other allowances	159 500	69 891	159 800	69 891
Contributions to UIF, Medical and Pension Funds	13 890	5 343	13 890	5 343
	1 596 892	874 755	1 597 192	874 755

Two people acted for the position of Municipal Manager during the 2017 financial year. The permanent Municipal Manager was only appointed effective 01 August 2017 and he resigned post 2018 financial year. The CFO was then appointed as the Acting Municipal Manager from August 2018.

Remuneration of Chief Finance Officer

Annual remuneration	742 091	1 388 306	742 091	1 388 306
Travel, housing and other allowances	284 066	-	284 066	-
Contributions to UIF, Medical and Pension Funds	10 593	-	10 593	-
	1 036 750	1 388 306	1 036 750	1 388 306

During the 2017 financial year, there was an acting Chief Financial Officer (CFO) and he was paid total remuneration of R1 388 306. A new CFO was appointed on 01 September 2017 and he was later appointed as the Acting Municipal Manager in August 2018, and a new Acting CFO was appointed.

Remuneration of the Chief Executive Officer - Umhlosinga Development Agency

Annual Remuneration	1 054 100	963 000	-	-
Travel, housing and other allowances	343 470	321 000	-	-
Contributions to UIF, Medical and Pension Funds	256 160	239 445	-	-
	1 653 730	1 523 445	-	-

Remuneration of Chief Finance Officer - Umhlosinga Development Agency

Annual Remuneration	1 102 537	778 425	-	-
Travel, housing and other allowances	-	257 603	-	-
Contributions to UIF, Medical and Pension Funds	191 999	179 930	-	-
	1 294 536	1 215 958	-	-

Remuneration of General Manager - Corporate Service

Annual Remuneration	471 336	709 776	471 336	709 776
Travel, housing and other allowances	167 498	237 984	167 498	237 984

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
22. Employee related costs (continued)				
Contributions to UIF, Medical and Pension Funds	162 554	67 564	162 554	67 564
	801 388	1 015 324	801 388	1 015 324

The General Manager for Corporate Services resigned during the 2017 financial year and two people acted consecutively for the position. A permanent General Manager was appointed in March 2018 and still holds the office.

Remuneration of General Manager - Community Services and Planning & Economic Development

Annual Remuneration	609 872	782 568	609 872	782 568
Car Allowance	118 445	203 048	118 445	203 048
Travel, housing and other allowances	7 637	10 250	7 637	10 250
	735 954	995 866	735 954	995 866

The General Manager for Community Services and Planning and Economic Development resigned during 2018 financial year and a new General Manager was appointed post 2018 financial year.

Remuneration of General Manager - Technical Services

Annual Remuneration	1 292 800	946 623	1 292 800	946 623
Travel, housing and other allowances	45 600	860 566	45 600	860 566
Contributions to UIF, Medical and Pension Funds	14 530	107 657	14 530	107 657
	1 352 930	1 914 846	1 352 930	1 914 846

The General Manager for Technical services resigned during the 2018 financial year and a new General Manager was appointed and still holds the office.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

23. Remuneration of councillors

Mayor	738 061	677 605	738 061	677 605
Deputy Mayor	624 764	622 539	624 764	622 539
Speaker	633 968	592 872	633 968	592 872
Executive Committee Members	2 026 944	1 652 500	2 026 944	1 652 500
Councillors	3 183 554	3 328 798	3 183 554	3 328 798
	7 207 291	6 874 314	7 207 291	6 874 314

Mayor

Mayoral allowance	563 040	524 089	563 040	524 089
Travel allowance	140 760	127 310	140 760	127 310
Cellphone allowance	27 512	19 682	27 512	19 682
Contributions to UIF, Medical and Pension Funds	6 749	6 524	6 749	6 524
	738 061	677 605	738 061	677 605

Deputy Mayor

Annual remuneration	450 432	424 110	450 432	424 110
Travel allowance	112 608	103 316	112 608	103 316
Cellphone allowance	40 800	19 682	40 800	19 682
Reimbursable allowance	20 924	69 543	20 924	69 543
Contributions to UIF, Medical and Pension Funds	-	5 888	-	5 888
	624 764	622 539	624 764	622 539

Speaker

Annual remuneration	450 432	424 110	450 432	424 110
Travel allowance	112 608	102 315	112 608	102 315
Cellphone allowance	40 800	19 682	40 800	19 682
Reimbursable allowance	30 128	41 114	30 128	41 114
Contributions to UIF, Medical and Pension Funds	-	5 651	-	5 651
	633 968	592 872	633 968	592 872

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.

The Mayor, Deputy Mayor and Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties if they use private vehicles with the exception of the Mayor.

The Mayor, Deputy Mayor and Speaker each has the use of Council owned vehicle for official duties.

The Mayor and Speaker have two full-time bodyguards and one relief bodyguard.

24. Depreciation, amortisation and impairment

Property, plant and equipment	75 299 283	37 538 624	74 992 988	37 378 520
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25. Finance costs

Trade and other payables	90 516	84 830	-	-
Current borrowings	2 024 066	1 339 122	2 024 066	1 339 122
	2 114 582	1 423 952	2 024 066	1 339 122

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
26. Debt impairment				
Contributions to debt impairment provision	(70 531 905)	5 262 800	(70 531 905)	5 262 800
Bad debts written off	100 489 610	-	100 489 610	-
	29 957 705	5 262 800	29 957 705	5 262 800

27. Repairs and maintenance

Expenditure on repairs and maintenance comprised the following:

Electricity infrastructure	-	1 484 096	-	1 484 096
Furniture and Equipment	7 446	-	7 446	-
Motor vehicles	-	412 368	-	412 368
Sanitation Infrastructure	85 000	-	85 000	-
Buildings	725 455	964 805	715 964	964 114
Water distribution	33 701 827	72 366 982	33 701 827	72 366 982
	34 519 728	75 228 251	34 510 237	75 227 560

28. Bulk purchases

Electricity	41 298 322	38 986 494	41 298 322	38 986 494
Water	60 406 911	51 807 572	60 406 911	51 807 572
	101 705 233	90 794 066	101 705 233	90 794 066

Bulk purchases of electricity comprises electricity purchases for resale as prepaid electricity, own consumption by the municipality for its buildings, offices and water schemes.

Bulk purchases of water comprises water purchased for resale.

29. Contracted services

Contracted expenditure incurred during the year	44 689 137	51 086 005	37 179 286	27 923 751
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Contracted services comprised the following :

Consultancy fees	5 973 069	5 284 243	5 973 069	5 284 243
Insurance	1 036 733	1 041 898	1 036 733	1 041 898
Fleet management *	14 709 569	5 788 025	14 709 569	5 788 025
Vehicle hire	-	14 856	-	14 856
Photocopies and office equipment rental	1 142 462	1 524 518	1 058 354	1 446 165
Cellular and data services	2 648 423	1 309 836	2 648 423	1 309 836
IT services and system support	2 122 804	2 578 273	2 122 804	2 578 273
Internal audit fees	1 463 127	272 910	1 463 127	272 910
Communication	1 303 096	2 788 505	1 303 096	2 788 505
Security services	6 775 483	6 572 997	6 775 483	6 572 997
School nutrition programme	7 425 743	23 083 901	-	-
Other services	88 628	826 043	88 628	826 043
	44 689 137	51 086 005	37 179 286	27 923 751

* Current year fleet management costs include renewal of vehicle licences and fuel costs.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
30. General expenses				
Accommodation	785 008	481 672	698 731	337 462
Advertising	366 907	362 279	346 710	43 688
External audit fees	3 611 607	3 446 868	3 230 547	3 031 181
Audit committee fees	574 021	354 086	323 751	354 086
Administration expenses	18 468	24 221	-	-
Internal audit fees	142 520	197 481	-	-
Bank charges	166 839	338 114	148 896	318 207
Cleaning	267 440	348 167	261 865	345 182
Community development and training	1 344 082	70	1 344 082	70
Consulting and professional fees	6 500	76 968	-	-
Fuel and oil	1 540	876 102	493	876 021
Electricity and Water	-	20 344	-	-
Grants & Subsidies - Extended Public Works	-	2 343 709	-	2 343 709
Grants & Subsidies - Jozini RHIG Sanitation	-	3 508 772	-	3 508 772
Rural Transport Management	2 106 571	-	2 106 571	-
Grants & Subsidies - Mseleni Ground Nuts	-	359 071	-	359 071
Grants & Subsidies - Umhlosinga Development Agency	-	-	11 097 094	5 558 077
Hire of Plant & Equipment	-	17 676 645	-	17 676 645
Entertainment	-	13 745	-	13 745
Legal Fees	5 807 750	5 066 840	5 754 987	5 066 840
Fleet	-	11 000	-	11 000
Licences	609 115	502 771	609 115	502 771
Other expenses	97 634	3 331 833	79 874	3 326 347
Medical expenses	111 930	45 500	111 930	45 500
Municipal Health	94 571	58 280	94 571	58 280
Operation Turn Around	-	123	-	123
IT Expense	34 424	64 501	-	-
Fines and penalties	179 251	-	179 251	-
Insurance	32 528	31 933	-	-
Conferences and seminars	8 361	31 274	-	-
Staff programs and functions	35 400	-	35 400	-
Postage and courier	1 141	1 955	-	1 012
Training	150 175	64 205	98 978	13 679
Printing and stationery	58 004	573 141	44 674	551 629
Royalties and license fees	-	296 000	-	296 000
Sports DC27	890 638	489 115	890 638	489 115
Small tools	4 978	694 718	-	690 015
Systems Support	120 474	-	120 474	-
Telephone and fax	29 135	33 784	-	-
Tourism Projects	349 390	-	349 390	-
Grants paid	294 642	365 253	-	-
Sanitation: Sewer assessment expenses	-	9 796 926	-	9 796 926
Community and Social services	1 714 686	78 000	1 714 686	78 000
Publicity	254 225	293 780	254 225	293 780
Hiring and screening costs	38 972	-	38 972	-
Inventory losses	4 019 703	-	4 019 703	-
Uniforms	188 409	76 286	188 409	74 964
Events Organisations	206 300	-	206 300	-
	24 723 339	52 335 532	34 350 317	56 061 897

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
31. Cash generated from operations				
Surplus	245 673 190	136 558 455	214 477 176	133 622 020
Adjustments for:				
Depreciation and amortisation	75 299 283	37 538 624	74 992 988	37 378 520
Gain on sale of assets	(440 215)	-	(440 215)	-
Interest income	(6 958 166)	(5 305 018)	(6 941 630)	(5 115 213)
Finance costs	2 114 582	1 423 952	2 024 066	1 339 122
Debt impairment	29 957 705	5 262 800	29 957 705	5 262 800
Movements in defined benefit obligations	1 277 000	877 000	1 277 000	877 000
Donations in kind (refer to note 8)	(6 750 000)	(4 173 393)	(6 750 000)	(4 173 393)
Movement in tax receivable and payable	-	(44 035)	-	-
Changes in working capital:				
Inventories	3 723 826	12 078 072	3 723 826	12 078 072
Receivables from exchange transactions	(11 621 847)	(4 944 546)	(17 778 743)	(4 359 970)
Other receivables from exchange transactions	1 869 677	1 467 269	1 869 677	1 467 269
Payables from exchange transactions	(106 916 955)	(180 817)	(104 068 994)	(1 178 767)
VAT	26 281 297	(5 594 930)	29 596 851	(5 204 720)
Unspent conditional grants and receipts	(46 634 462)	38 610 500	(39 645 572)	40 474 227
Consumer deposits	18 830	184 457	18 830	184 457
Reclassification of payables to long term	22 154 396	-	22 154 396	-
	229 048 141	213 758 390	204 467 361	212 651 424

32. Comparative figures

Expenses for system support (R2 459 042) and consulting and professional fees (R1 706 385) were reclassified from general expenses to contracted services.

Further to the above, amounts within General expenses were reclassified as follows for the Economic entity:

- R197 481 was reclassified from Audit fees to Internal audit fees
- R399 was reclassified from Consumables to Postage and courier
- 64 500 was reclassified from Consumables to IT
- R5 486 was reclassified from Arts and Culture to Other expenses

The effects of the reclassification are as follows:

Economic entity

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification on	After reclassification before prior period error
Contracted services	46 426 932	4 163 455	50 590 387
General expenses	47 308 449	(4 163 455)	43 144 994
Total	93 735 381	-	93 735 381

Controlling entity

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

32. Prior-year adjustments (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassificati on	After reclassificati on before prior period error
Contracted services	23 264 678	4 163 455	27 428 133
General expenses	51 034 815	(4 163 455)	46 871 360
Total	74 299 493	-	74 299 493

33. Prior period errors

Error 1

Receivables from exchange transactions were overstated in the prior year due incorrect billing on customers during 2016 financial year going back. Receivables for Water were overstated by R1 531 744 and Sewerage receivables were overstated by R392 142.

Cash on hand of R48 281 was written off retrospectively as the balance in prior year was for deposits for electricity that were duplicated in the general ledger.

A invoice for protective clothing of R478 000 that were bought in the prior year and was erroneously omitted in the general ledger was noted and adjusted retrospectively.

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

Statement of financial position

Decrease in receivables from exchange transactions	-	(1 923 887)	-	(1 923 887)
Decrease in Accumulated surplus	-	1 763 003	-	1 763 003
Increase in VAT receivable	-	209 165	-	209 165
Decrease in Cash and cash equivalents	-	(48 281)	-	(48 281)
Increase in Payables from exchange transactions	-	(478 000)	-	(478 000)

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

33. Prior period errors (continued)

Statement of financial performance

Increase in General expenses: small tool and protective clothing	-	478 000	-	478 000
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Error 2

During the year under audit, supplier confirmations were sent out to all suppliers requesting confirmations of outstanding amounts in order to clear unexplained credit amounts in the age analysis. All suppliers who confirmed that we do not owe them anything were written off. Additional invoices that were incorrectly captured and/or omitted were also discovered and adjusted accordingly.

Suspense accounts for payroll payables and receivables that were unknown and carried forward from prior years were also written off against accumulated surplus.

The effect of the adjustments is as follows.

Statement of financial position

Decrease in Other receivables from exchange transactions	-	(1 475 455)	-	(1 475 455)
Increase in VAT receivable	-	3 740 518	-	3 740 518
Increase in Payables from exchange transactions: Trade creditors	-	(16 627 702)	-	(16 627 702)
Decrease in Payables from exchange transactions: Employee related and suspense	-	2 196 301	-	2 196 301
Decrease in Payables from exchange transactions: Accruals for overtime	-	329 699	-	329 699
Increase in opening Accumulated surplus	-	(11 606 490)	-	(11 606 490)

Statement of financial performance

Increase in Bulk purchases- Water	-	8 949 122	-	8 949 122
Increase in Bulk purchases- Electricity	-	915 378	-	915 378
Decrease in General expenses: Legal	-	(44 544)	-	(44 544)
Decrease in General expenses: Hire of plant	-	(1 308 481)	-	(1 308 481)
Increase in general expenses: Sewer assessment	-	9 796 926	-	9 796 926
Increase in general expenses: License	-	193 132	-	193 132
Increase in general expenses: Community and social service	-	75 500	-	75 500
Increase in Contracted services: Fleet	-	69 346	-	69 346
Increase in Contracted services: Security	-	426 272	-	426 272
Increase in Repairs and maintenance: buildings and motor vehicles	-	202 575	-	202 575
Increase in Repairs and maintenance: Water infrastructure	-	4 167 901	-	4 167 901

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

33. Prior period errors (continued)

Error 3

Property, plant and equipment were overstated due to assets that were either disposed off, handed over to the community or local municipalities or duplicated in the asset register. The total of this overstatement is R23 602 162 of which main components are made up as follows:

Mtubatuba sports complex handed over to local municipality	R7 556 408
Yard taps handed over to community	R10 946 959
Tata truck return to dealers and not derecognised	R4532972
Park homes duplicated	R556 653
Burnt offices	R2 569
Under depreciation (net effect)	R14 268

Some property, plant and equipment assets were omitted in the fixed asset register in prior years and these were recognised at fair value of R429 282.

Also invoices for additions to assets under construction were omitted during the 2017 financial year resulting in understatement of assets by R53 532 002, and one invoice was incorrectly overstated by R1 385 401.

A project was incorrectly capitalised in the prior year as completed, however it was noted that the project is still under construction and only a phase was completed. This project is still not completed again by 30 June 2018. The depreciation charge of R7 665 that was recognised in 2017 financial year was reversed and the project was reclassified as work in progress in the asset register.

A project under construction (Markert stalls) of R2 190 867 was incorrectly omitted from the fixed assets register.

Another infrastructure project under construction of R 26 658 475 was duplicated in the FAR. This was adjusted retrospectively.

The net effect of the adjustment as at 30 June 2017 is as follows:

Statement of financial position

Increase in Property, plant and equipment	-	2 315 245	-	4 506 112
Increase in VAT receivable	-	7 416 980	-	7 416 980
Increase in Payables from exchange transactions	-	(59 563 581)	-	(59 563 581)
Decrease in opening Accumulated surplus	-	50 203 992	-	50 203 992

Statement of financial performance

Increase in Revenue: Operational grants	-	-	-	(2 190 867)
Decrease in depreciation and impairment expense	-	(372 636)	-	(372 636)

Error 4

During the year, the economic entity discovered that some assets were incorrectly omitted in the Fixed asset register. These assets were recognised at their fair values retrospectively.

The net effect of the adjustment is as follows:

Statement of financial position

Increase in Property, plant and equipment	-	45 009	-	-
Increase in Opening accumulated surplus	-	(45 009)	-	-

34. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

34. Prior-year adjustments (continued)

Statement of financial position - extract

Economic entity - 2017

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		65 721 399	(1 923 887)	63 797 512
Other receivables from exchange transactions		10 030 411	(1 475 455)	8 554 956
VAT receivable		51 610 577	11 366 663	62 977 240
Cash and cash equivalents		36 797 979	(48 281)	36 749 698
Property, plant and equipment	1 828	746 405	2 360 255	1 831 106 660
Payables from exchange transactions		248 526 706	74 143 283	322 669 989
Accumulated surplus		1 781 483 567	(63 863 987)	1 717 619 580
		4 022 917 044	20 558 591	4 043 475 635

Controlling entity - 2017

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		57 788 337	(1 923 887)	55 864 450
Other receivables from exchange transactions		10 030 411	(1 475 455)	8 554 956
VAT receivable		50 706 642	11 366 663	62 073 305
Cash and cash equivalents		34 626 017	(48 281)	34 577 736
Property, plant and equipment	1 821	850 101	4 506 112	1 826 356 213
Payables from exchange transactions		246 777 031	74 143 283	320 920 314
Accumulated surplus		1 773 747 687	(61 718 128)	1 712 029 559
		3 995 526 226	24 850 307	4 020 376 533

Statement of financial performance - extract

Economic entity 2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation, amortisation and impairment		37 911 260	(372 636)	-	37 538 624
Repairs and maintenance		70 857 776	4 370 475	-	75 228 251
Bulk purchases		80 929 566	9 864 500	-	90 794 066
Contracted services		46 426 932	495 618	4 163 455	51 086 005
General expenses		47 308 449	9 190 533	(4 163 455)	52 335 527
Net effect on surplus for the year		283 433 983	23 548 490	-	306 982 473

Controlling entity - 2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation, amortisation and impairment		37 751 156	(372 636)	-	37 378 520
Repairs and maintenance		70 857 085	4 370 475	-	75 227 560
Bulk purchases		80 929 566	9 864 500	-	90 794 066
Contracted services		23 264 678	495 618	4 163 455	27 923 751
General expenditure		51 034 818	9 190 533	(4 163 455)	56 061 896
Surplus for the year		263 837 303	23 548 490	-	287 385 793

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

35. Unauthorised expenditure

Opening balance	251 279 815	213 475 910	251 279 815	213 475 910
Add: Unauthorised expenditure - Current year	18 279 811	72 731 586	18 279 811	72 731 586
Less: Unauthorised expenditure written off prior year	-	(34 927 681)	-	(34 927 681)
	269 559 626	251 279 815	269 559 626	251 279 815

Unauthorised expenditure in the current financial year was incurred as a result of expenditure which exceeded the approved budget. No disciplinary actions or criminal proceedings were instituted due to reasons provided on Appendix A.

Refer to Appendix A for the comparison of actual versus budgeted expenditure.

36. Fruitless and wasteful expenditure

Opening balance	9 537 673	8 971 561	9 326 418	8 845 136
Add: Fruitless and wasteful expenditure - Current year	37 820 886	566 112	37 730 370	481 282
	47 358 559	9 537 673	47 056 788	9 326 418

Fruitless and wasteful expenditure comprised interest and penalties relating to SARS EMP declarations and late payment of creditors.

Current year fruitless expenditure also includes infrastructure expenditure that was incurred in prior years but could not be identified where the work was done (R33 450 241 refer to note 8) and inventory that was written off as unaccounted for after stock (R4 019 703 refer to note 30 and 38).

No disciplinary actions or criminal proceedings were instituted as a result of fruitless expenditure incurred.

37. Irregular expenditure

Opening balance	420 000 812	367 995 469	1 602 540 225	1 550 748 518
Add: Irregular Expenditure - prior year contracts	204 936 888	-	204 936 888	-
Add: Irregular Expenditure - current year contracts	27 228 384	111 600 764	27 110 721	111 387 128
Less: Irregular expenditure written off prior year contracts	(194 120 923)	(59 595 421)	(194 120 923)	(59 595 421)
Less: Irregular expenditure written off current year	(17 446 050)	-	(17 446 050)	-
	440 599 111	420 000 812	1 623 020 861	1 602 540 225

Irregular expenditure written off in the current and prior year relates to expenditure from the contracts that were concluded in prior years and the irregularity of these contracts was investigated in 2016 financial year. Submission of the investigation was submitted to Council in 2016 financial year and value for money was identified and it was approved for write off.

No further investigation was conducted in 2017 and 2018 financial years but the list of the expenditure and the projects was submitted to council, and based on the fact that this expenditure was incurred on same contracts investigated in 2015, Council approved the write off in 2017 and 2018 financial years. Therefore no proper investigation was conducted in 2017 and 2018 financial years.

Prior year amounts were restated to effect this write off.

Irregular, fruitless and wasteful expenditure relating to contravention of SCM regulations and MFMA incurred during 207 and 2018 financial years will be investigated by MPAC. Based on the findings of such investigations, a recommendation to recover or write off in terms of s32(2)(b) of the MFMA will be tabled to council for decision.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

38. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Opening balance	28 198 445	28 198 445	28 198 445	28 198 445
Add: Material losses - Current year	4 019 703	-	3 734 059	-
	32 218 148	28 198 445	31 932 504	28 198 445

Inventory losses were as a result of water pipe movements which could not be accounted and were included in general expenses.

Audit fees

Opening balance	19 797	34 753	46 958	-
Current year subscription / fee	3 611 607	3 879 109	3 230 547	3 463 422
Amount paid - current year	(3 564 649)	(3 859 312)	(3 197 191)	(3 416 464)
Amount paid - previous years	(19 797)	(34 753)	(46 958)	-
	46 958	19 797	33 356	46 958

PAYE and UIF

Opening balance	2 715 090	2 193 973	2 768 137	1 483 426
Current year subscription / fee	23 483 040	23 464 423	22 189 246	22 276 377
Amount paid - current year	(23 363 924)	(21 727 176)	(22 189 246)	(19 508 240)
Amount paid - previous years	(2 715 090)	(1 216 130)	(2 768 137)	(1 483 426)
	119 116	2 715 090	-	2 768 137

Pension and Medical Aid Deductions

Opening balance	2 366 534	4 095 467	2 366 534	4 095 467
Current year subscription / fee	31 740 244	29 781 655	30 100 474	28 298 100
Amount paid - current year	(31 795 524)	(27 415 121)	(30 100 474)	(25 931 566)
Amount paid - previous years	(2 366 534)	(4 095 467)	(2 366 534)	(4 095 467)
	(55 280)	2 366 534	-	2 366 534

SALGA Fees

SALGA fees paid	1 665 784	1 271 884	1 665 784	1 271 884
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VAT

VAT receivable	36 695 943	62 977 240	32 476 454	62 073 305
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VAT output payables and VAT input receivables are shown in note .

All VAT returns were submitted in time throughout the year.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
39. Commitments				
Authorised capital expenditure				
Approved and contracted for				
• Infrastructure	349 785 882	373 649 636	342 363 451	373 649 636
• Scholl nutrition project	-	10 629 754	-	-
	349 785 882	384 279 390	342 363 451	373 649 636
Total capital commitments				
Approved and contracted for	349 785 882	384 279 390	342 363 451	373 649 636
Authorised operational expenditure				
Approved and contracted for				
• Operating expenditure	339 236 034	43 260 391	339 236 034	43 260 391
	339 236 034	43 260 391	339 236 034	43 260 391
Total operational commitments				
Approved and contracted for	339 236 034	43 260 391	339 236 034	43 260 391
Total commitments				
Total commitments				
Authorised capital expenditure	349 785 882	384 279 390	342 363 451	373 649 636
Authorised operational expenditure	339 236 034	43 260 391	339 236 034	43 260 391
	689 021 916	427 539 781	681 599 485	416 910 027
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	946 995	925 635	898 092	876 732
- in second to fifth year inclusive	146 555	1 031 590	97 652	982 687
	1 093 550	1 957 225	995 744	1 859 419

40. Contingencies

Disciplinary matters

As at 30 June 2018, the municipality had pending employee related disciplinary matters. Should the outcome of both matters favour respective claimants, the municipality may be liable for compensation of up to R1 252 572.

Supplier disagreements

During the year ended 30 June 2018, suppliers claimed to have provided the municipality with services from which the outstanding amounts claimed as per creditors confirmations is higher than what the Municipality is aware of. The total amount above the invoices recognised by the Municipality amount to R8 739 804.

The municipality also has pending court cases with suppliers. Should the municipality lose all the cases, it may be liable for a total of R 50 437 581.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

41. Related parties

Relationships

Umhloosinga Development Agency

Umhloosinga Development Agency is a municipal entity under the control of Umkhanyakude District Municipality to spearhead the economic development within the District.

Related party balances

Payables owing to related parties

Umhloosinga Development Agency	(9 293 222)	(5 030 158)
--------------------------------	-------------	-------------

Related party transactions

Transfers paid to related parties

Umhloosinga Development Agency	11 097 094	5 558 077
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42. Events after the reporting date

The municipality was not aware of any material events that may have occurred between 30 June 2018 and the date when the annual financial statements were authorised.

43. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

43. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they become due. The municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments

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

Economic entity

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	851 724	858 722	2 623 132	1 873 244
Interest accrual on long term loan	134 403	-	-	-
Payables from exchange transactions	215 753 034	10 800 901	11 353 495	-
Consumer deposits	1 396 340	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	844 512	851 724	2 599 119	2 756 644
Interest accrual on long term loan	158 800	-	-	-
Payables from exchange transactions	322 669 989	-	-	-
Consumer deposits	1 377 510	-	-	-

Controlling entity

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	851 724	858 722	2 623 132	1 873 244
Interest accrual on long term loan	134 403	-	-	-
Payables from exchange transactions	216 851 320	10 800 901	11 353 495	-
Consumer deposits	1 396 340	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loans	844 512	851 712	2 599 119	2 756 644
Interest accrual on long term loan	158 800	-	-	-
Payables from exchange transactions	320 920 314	-	-	-
Consumer deposits	1 377 510	-	-	-

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

43. Risk management (continued)

Credit risk

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

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

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 the board. The utilisation of credit limits is regularly monitored.

The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.

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

Financial instrument	Economic entity - 2018	Economic entity - 2017	Controlling entity - 2018	Controlling entity - 2017
Receivables from exchange transactions	45 461 654	63 797 512	43 685 489	55 864 451
Other receivables from exchange transactions	6 685 279	8 554 956	6 685 279	8 554 956

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings from DBSA.

At year end, financial instruments exposed to interest rate risk were as follows:

- Loan from Development Bank of South Africa.
- FNB Bank Call deposits.
- FNB Bank, ABSA and Ithala Bank Notice deposits.

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the consolidated annual financial statements.

Items of goods and services were procured during the current financial year which deviated from the provisions of paragraph 12(1)(d)(i) as reflected above. As at 30 June 2018, deviations from Municipal Supply Chain Management Regulations amounted to R75 612 840.

Umkhanyakude District Municipality and its Municipal entity

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
45. Distribution losses				
Electricity distribution losses	10 375 145	9 950 568	10 375 145	9 950 568
Electricity distribution loss calculated as:	2018		2017	
Electricity purchases	kWh units 11 359 043	Rand 16 469 360	kWh units 11 456 649	Rand 15 359 979
Less: Electricity sales	(3 639 554)	(6 094 215)	(4 701 621)	(5 409 411)
	7 719 489	10 375 145	6 755 028	9 950 568
Water distribution loss calculated as:	2018		2017	
	Kl 3 560 416	Rand 16 057 475	Kl* 6 218 683	Rand 30 382 985

46. Going concern

As at 30 June 2017, the economic entity had accumulated surplus of R 1 963 292 771 (Controlling entity R1 926 506 737), and the municipality's current assets exceeds its current liabilities by R 29 000 526(Controlling entity R 20 804 462).

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

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

47. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

48. Actual capital expenditure versus budgeted capital expenditure

Capital expenditure	Original budget	Adjustment	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
	257 964 500	36 001 312	293 965 812	206 443 570	87 522 242

R294 million was budgeted for capital expenditure for 2017/18, however, actual expenditure reported per Note 8 was below the final budget by approximately 29,77%.

Umkhanyakude District Municipality
Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison between Budget and Actual Amounts
Statement of Financial Performance

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amount	Difference between final
Revenue					
Service charges	35 669 000 -	9 889 000	25 780 000,00	30 788 710 -	5 008 710
Rental of facilities	137 346 -	55 127	82 219,44	208 830 -	126 611
Interest - Investment revenue	4 256 000	306 000	4 562 000,00	6 941 630 -	2 379 630
Interest - Outstanding debtors	-	-	-	-	-
Other revenue	12 052 200 -	2 246 219	9 805 981,00	7 624 755	2 181 226
Total Revenue from exchange transaction	52 114 546 -	11 884 346	40 230 200,44	45 563 925 -	5 333 725
Revenue from non- exchange transaction					
Transfers recognised - Operational	346 342 500 -	17 999 704	328 342 796,00	335 470 219 -	7 127 423
Transfers recognised - Capital	257 964 500	35 301 019	293 265 519,00	301 115 315 -	7 849 796
Total Revenue	398 457 046 -	29 884 050	368 572 996,44	381 034 144 -	12 461 148
Expenditure					
Employee related costs	136 793 137	6 565 000	143 358 136,88	145 745 160 -	2 387 023
Remuneration of councillors	8 940 305	-	8 940 304,80	7 207 291	1 733 014
Debt impairment	18 027 524	-	18 027 524,50	29 957 705 -	11 930 181
Depreciation & asset impairment	45 009 462 -	6 718 614	38 290 848,45	74 992 988 -	36 702 140
Finance charges	1 498 863 -	557 708	941 155,18	2 024 066 -	1 082 911
Bulk purchases	89 912 229	-	89 912 229,19	101 705 233 -	11 793 004
Other materials	35 329 549 -	3 836 185	31 493 364,15	34 510 237 -	3 016 873
Contracted services	24 355 485	14 106 744	38 462 229,30	37 179 286	1 282 943
Other expenditure	38 590 491	5 057 926	43 648 416,65	34 350 317	9 298 100
Total expenditure	398 457 046	14 617 163	413 074 209,09	467 672 283 -	54 598 074
Surplus/(Deficit)	0 -	44 501 213 -	44 501 212,65 -	86 638 139	42 136 926

The municipality improved on meter reading with the EPWP staff, more readings are done and there is an improvement on billing.

The interest received is greater than what was anticipated, the municipality invested more money during 2017-2018

The under-performance is as a result of not yet having received all revenue information from the Umhloing Development Agency when preparing the AFS for the district. The final consolidated figure will be on consolidated Annual Financial Statement.

The municipality under budgeted its achievements for 2018. More funds were received for operational budget that what was budgeted for.

The municipality under budgeted its achievements for 2018. More projects were implemented and funds were procured. The was less unspent grants compared to prior year,s performance.

The municipality under budget for the leave provision payment, while in 2017-2018 more employees were terminated and they had to be paid their leave days amount.

Councillors budget was done based on the councillors remuneration gazette. The budget included the five percent for upper limit which was never implemented.

Due to decrease in payments from receivables than budgeted, the impairment increased and exceeded the budgeted amount

The municipality acknowledge the under budget for depreciation and assets impairment

The finance charges were paid as per amortisation table from DBSA. The over expenditure was due to the interest paid to suppliers on over due accounts

The municipality under-budgeted the bulk water purchases, more expenses are for water purification. More chemicals were purchased to meet the standard of quality as per SANS 241.

During the adjustment budget the municipality was under spending on repairs and maintenance and it was adjusted downwards but on the 3rd and 4th quarter the expenditure increase as more repairs were done on the infrastructure, since the municipality have an outdated and aging infrastructure

The municipality spent less than budgeted on contracted services.

The municipality spent less than budgeted on general expenditure due to tightening controls to avoid liquidity problems.

ANNEXURE B

AUDITOR GENERAL'S REPORT – JUNE 2018

Auditor-General of South Africa

Umkhanyakude District Municipality

Audit report 2017-18

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Umkhanyakude District Municipality set out on pages xx to xx, which comprise 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 statement of comparison of budget information and actual amounts 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 Umkhanyakude District 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

Revenue and receivables from exchange transactions

3. The municipality did not account for revenue from exchange transactions in accordance with SA GRAP 9, *Revenue from exchange transactions*. The recognition criteria for revenue from exchange transactions were not met, as services were not billed due to inadequate internal controls in the billing system. I was therefore unable to determine the resultant impact of the misstatement on service charges revenue and receivables from exchange transactions, the surplus for the period and the accumulated surplus, as it was impractical to do so. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R30,78 million (2016-17: R19,54 million) in note 17 and the related receivables from exchange transactions stated at R43,68 million (2016-17: R55,86 million) in note 4 to the financial statements.
4. The municipality did not charge interest on overdue consumer accounts, contrary to the requirements of section 64(2)(g) of the MFMA. Consequently, other income in note 20 of R7,62 million (2016-17: R16,04 million) and receivables from exchange transactions in note 4 of R43,68 million (2016-17: R55,86 million) were understated by an amount that could not be quantified. There was also a resultant impact on the surplus for the period and on the accumulated surplus.

Expenditure and payables from exchange transactions

5. The municipality did not recognise all expenses and payables in the periods to which they related, thus not adhering to the definition of an accrual system as defined in SA GRAP 1, *Presentation of financial statements*. This was due to inadequate controls over the recording of transactions at the municipality. I was unable to determine the full extent of the overstatement of expenditure and trade payables, as it was impracticable to do so. Consequently, I was unable to determine the full extent of adjustments to expenditure stated at R467,67 million (2016-17: R434,83 million) in the statement of financial performance and the related payables from exchange transactions stated at R216,85 million (2016-17: R320,92 million) in note 11 to the financial statements.

Irregular expenditure

6. The municipality did not have adequate systems and controls in place to ensure that irregular expenditure was accurately accounted for. This resulted in irregular expenditure being misstated by an unknown amount. I could not confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R27,11 million (2016-17: R111,38 million), as shown in note 37, as it was impractical to do so.

Commitments

7. I was unable to obtain sufficient appropriate audit evidence for commitments, as the municipality did not maintain accurate and complete records of the contractual information used to determine commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments stated at R681,59 million (2016-17: R416,91 million) in note 40 to the financial statements.

Distribution losses

8. I was unable to obtain sufficient appropriate audit evidence for the water and electricity losses disclosed at R16,05 million (2016-17: R30,38 million) and R10,37 million (2016-17: R9,95 million) respectively, in note 46 to the financial statements. This was due to inadequate systems and processes for the recording and monitoring of these losses. I could not confirm the disclosed losses through alternative means. Consequently, I was unable to determine whether any adjustments were necessary relating to the water and electricity losses disclosed in the financial statements.

Context for the opinion

9. 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.
10. 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.

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

Emphasis of matter

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

Restatement of corresponding figures

13. As disclosed in notes 32 and 33 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.

Other matter

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

Unaudited disclosure notes

15. 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 on it.

Responsibilities of the accounting officer for the financial statements

16. 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.
17. In preparing the financial statements, the accounting officer is responsible for assessing the 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

18. 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.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. 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 objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. 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.
22. 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 objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Objective	Pages in the annual performance report
KPA – basic service delivery and infrastructure investment	x – x

23. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

KPA – basic service delivery and infrastructure investment

Date of reviewing of water service by-laws and policies

24. The development objective approved in the annual performance plan was 'water service by-laws developed'. However, the objective reported in the annual performance report was 'the reviewing of water service by-laws and policies'.

Percentage of households with access to a minimum of basic level of service for sanitation provision

25. The achievement for the target of households with access to sanitation reported in the annual performance report was 63%. However, the supporting evidence provided did not substantiate the reported achievement. This, together with some source documents not being submitted for auditing, made it impractical to determine the value of the misstatement.

Percentage of households with access to a minimum of basic level of service for water provision

26. The achievement for the target of households with access to water reported in the annual performance report was 72%. However, the supporting evidence provided did not substantiate the reported achievement, and it was impractical to determine the value of the misstatement.

Other matter

27. I draw attention to the matter below.

Achievement of planned targets

28. The annual performance report on pages xx to xx 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 paragraphs 24 to 26 of this report.

Report on the audit of compliance with legislation

Introduction and scope

29. 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.

The material findings on compliance with specific matters in key legislation are as follows:

Strategic planning and performance management

30. The performance management system and related controls for the municipality were not maintained or were inadequate, as it did not describe how the performance measurement and reporting processes should be conducted and organised, as required by municipal planning and performance management regulation 7(1).

Consequence management

31. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
32. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
33. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Revenue management

34. Accounts for services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
35. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
36. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Expenditure management

37. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by deviations from Supply Chain Management (SCM) Regulations, extension of contracts, and the incorrect bid adjudication committee quorum approving tenders.
38. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. Unauthorised expenditure of R18,27 million was disclosed in note 35 to the financial statements. The majority of the unauthorised expenditure was caused by the lack of monitoring of expenditure against budgets and contracts.
39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. Fruitless and wasteful expenditure of R37,73 million was disclosed in note 36 to the financial statements. The majority of the disclosed fruitless and wasteful expenditure was caused by work in progress written off as a result of assets not being identified.
40. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Annual financial statements

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, non-current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were subsequently provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Asset management

42. Funds were invested in Ithala Bank, in contravention of municipal investment regulation 6.

Procurement and contract management

43. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

44. Sufficient appropriate audit evidence could not be obtained from the municipality that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
45. Some of the invitations for competitive bidding at the municipality were not advertised for the required minimum period, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.
46. The contract performance and monitoring measures and methods at the municipality were not sufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.
47. Some of the competitive bids at the municipality were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.

Other information

48. 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 objective presented in the annual performance report that has been specifically reported in this auditor's report.
49. 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.
50. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
51. 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 I conclude that there is a material misstatement therein, 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 re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

52. 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 on it.
53. 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 performance report and the findings on compliance with legislation included in this report.

54. The leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations. The leadership did not ensure that employees had a good understanding of policies and procedures, therefore preventing the effective implementation thereof. The leadership was also slow to respond to key control deficiencies highlighted in action plans.
55. Management did not ensure that regular, accurate and complete financial and performance reports were prepared, which were supported and evidenced by reliable information, and that daily controls were always performed. Controls designed to prevent, detect and address risks with an impact on financial, performance and compliance reporting were not implemented and regularly monitored.
56. Risk management was inadequate to mitigate internal control deficiencies, with the internal audit function being non-operational for a significant portion of the year.

Other report

57. I draw attention to the following engagement that 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. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

58. An investigation was ongoing at year-end into allegations relating to financial misconduct, fraud or improper conduct in SCM.

Auditor-General
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 the selected objective 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 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 continuing 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.

ANNEXURE C

AUDIT ACTION PLAN - 2018/2019 FY

AUDIT ACTION PLAN – 2018/2019

Activity	Achievable in current year	Progress to Date (10 AUGUST 2018)	MR	Responsible Person/Preparer	Reviewer	Timeline/Deadline
Management should ensure that budget is compliant with all relevant legislations			65	Sthandile Mdletshe Philile Vumase Lindokuhle Ndlovu	Busi Sibisi - Budget and Reporting Manager	31 Jan 19
Voucher audit needs to be done to ensure that invoices were captured in the correct accounting period. For all new invoices, the date of recognition should be the date per invoice and not the date of capturing. This will ensure that all invoices are captured correctly and no cut off issues.			16 , 17 & 18	Sphamandla Mavundla Jabu Gumede	Thenjiwe Kweyama - Expenditure Accountant Mpume Msomi - Expenditure Manager	29 Mar 19
Monthly Reconciliations need to be done timeously on long outstanding creditor as to track creditors that have not yet been paid. If further information is required from the creditor.	Yes	Currently the voucher audit has been placed on hold as invoices were being loaded onto the system for the year end accruals and there is no staff available to proceed with the voucher audit.	8	Sphamandla Mavundla Jabu Gumede	Thenjiwe Kweyama - Expenditure Accountant Mpume Msomi - Expenditure Manager	29 Mar 19

<p>Upon receiving an invoice, they should be stamped with the receipt stamp in order to track if any of the invoices are being received timeously from the supplier.</p>					
<p>Reversal of all prior year raised accruals and only raise those with supporting documentation (invoice/statement) at year end</p>	<p>Yes</p>	<p>Some of the accruals in the account will only be cleared once the CFO approves the invoices obtained during the creditors confirmations performed and the are removed from the take-on account and captured on the individual creditors.</p> <p>Currently having an issue in obtaining statements from suppliers on the age analysis in order to support the balance of creditors at year end.</p> <p>CFO confirmed that</p>	<p>42</p>	<p>Delisiwe Msweli</p>	<p>Thenjiwe Kweyama - Expenditure Accountant</p> <p>Mpume Msomi - Expenditure Manager</p> <p>29 Mar 19</p>

		Mpume is working on the item for council. MM requested that the CFO provide the evidence of suppliers not responding within the 7 DAYS that they were requested to respond by.				
Timeous update of the contract register Each project need to have its own GL account in order to manage the project costs more accurately	Yes		11	Mandla Myeni	SCM Manager	
Voucher audit will assist in picking all irregularities	Partly	Voucher audit will commence on the 9th due to S71 Reporting.	12 & 49 20 & 49 12 & 49 12 & 49 12 & 49 12 & 49 12 & 49	Sphamandla Mavundla Jabu Gumede	Thenjiwe Kweyama - Expenditure Accountant Mpume Msomi -	

			12 & 49		Expenditure Manager
SCM manager should ensure that all SCM processes are followed to avoid any non-compliance.			10	Mandla Myeni	SCM Manager
SCM should maintain an accurate and complete file for contract register, showing all payments made to contract suppliers and this will be used as the main source for irregular expenditure.			49	Mandla Myeni	SCM Manager
SCM manager should ensure that all SCM processes are followed to avoid any non-compliance.			19	Mandla Myeni	SCM Manager
SCM manager, together with the MM should ensure that all SCM processes are followed and proper investigations are performed before any write - offs are taken into consideration.			15 & 37	SCM Manager	MM
SCM Manager should ensure that the reports and the amounts			35	Mandla Myeni	SCM Manager

disclosed in the AFS for commitments are accurate.						
SCM manager should ensure that all SCM processes are followed to avoid any non-compliance.			50	Mandla Myeni	SCM Manager	
Management should ensure that policies are reviewed on regular basis			52	Mandla Myeni	SCM Manager	
SCM manager should ensure that all SCM processes are followed to avoid any non-compliance.	51		51	Mandla Myeni	SCM Manager	
CFO should ensure that investments are with legislated financial institutions. Management should consider re-investing the said investesment in a different institution.			36	CFO	MM	29 Mar 19
Data Cleansing to ensure that the customer listing is complete and accurate. Regular reviews by Supervisor to confirm that all active customers are billed and	Partly	Monday(06-08-2018) 8am meeting with JOAT, Technical, Billing and Inkazimulo. Meeting with Technical and JOAT and they	1, 2 ,3 and 4	Mpume Dlodlu - Billing Supervisor	CFO	15 Apr 19

follow-up where they are not.		promised to send the list of all connections detailing which ones are billed and which ones are not billed and the reason for not being billed.				
Data Cleansing to ensure that the customer listing is complete and accurate. Regular review supervisor by to confirm that all active customers are billed and follow-up where they are not.	Partly	MM proposed that we use JOAT report to justify the non-billings. MM requested that we further use the Indigent register (which are suppose to receive free basic services).	1, 2 ,3 and 4	Mpume Dlodlu - Billing Supervisor	CFO	15 Apr 19
Water and Electricity sections should keep records of all connections for each year. The Master list can be traced to the system to ensure completeness of billing.			1, 2 ,3 and 4	Mpume Dlodlu - Billing Supervisor	CFO	15 Apr 19
Proper training and supervision of Meter readers Ensure resources are available for meter readings i.e. transport to different locations	Yes		1, 2 ,3 and 4	Mpume Dlodlu - Billing Supervisor	CFO	15 Apr 19
Cashier supervisor should ensure that recons between the two systems are performed			1, 2 ,3 and 4	Mandla Masondo - Cashier Supervisor	CFO	31 Jan 19

timeously and any discrepancies are follow up on.						
Obtain the 2017/18 and 2018/19 resolution stating the exemption of interest.			5	Mpume Dlodlu - Billing Supervisor	CFO	31 Jan 19
The municipality has to obtain all the MOA's for the long accumulating grants and re-visit the conditions of each grant. Communication with the donors and request the authorisation to write them off, where necessary	Yes	<p>Confirmations were received from funder, some funders are confirming more than what we have in the system. A meeting was requested with COGTA. MM requested that a letter be drafted to COGTA to apply for roll-over.</p> <p>National Lottery - Thenji communicated with the funder and the meeting is still to be arranged.</p>	59	Thenjiwe Kweyama - Expenditure Accountant	Mpume Msomi - Expenditure Manager	29 Mar 19
The list of retentions needs to be verified with contractors and all retentions paid/forfeited but still in the GL need to be			46	Vusi Myeni - Financial controller		28 Feb 19

adjusted correctly as per GRAP.						
The technical director needs to ensure that all contractors authorised to utilise pipes have an agreement in place and the quantity of all pipes taken is documented. Municipality employees should be available at each times when inventory pipes are taken.			54 , 55 & 56			28 Feb 19

Issues	Activity	Achievable in current year	MR	Progress To Date	Responsible Person/Preparer	Reviewer	Timeline/Deadline
Inconsistency in achievement reported	Performance reviews to be amended to ensure that information reported is accurate.	Yes	Item 38		Ndumiso	MM	28 Feb 19
Portfolio evidence does not agree with achievement	Physical verification of evidence reported in to be conducted to ensure that information reported is accurate.	Yes	Item 24		Ndumiso	MM	28 Feb 19
Incorrect happy letters	Happy letters will be verified to ensure that correct dates are submitted by departments and all alterations need to be signed for.	Yes	Item 25		Ndumiso	MM	31 April 2019
Households do not have access to water	Accurate details for targets achieved will be verified	Yes	Item 26		Ndumiso	MM	31 April 2019
Reviewing of Water services by-laws and policies	Reviewing of the report needs to be done according to SMART principles.	Yes	Item 27		Ndumiso	MM	31 April 2019

Component	Issues	Activity	MR	Responsible Person/Prepar	Reviewer	Timeline/Deadline
	The post for which the employee is appointed was not provided for in the approved staff establishment	Management should perform an internal audit on all the current year appointments. Report should be drafted where recruitment process was not followed, stating the reasons	47	Khetha Ngcobo Zama Mnqayi	Alpha Buthelezi	29 Mar 19
	Appointments of employees not in line with relevant accounting policies - No Advertisement of posts -no appointment processes followed. -no proof submitted to indicate that a vetting verification process was done for the below mentioned appointments.	Management should perform an internal audit on all the current year appointments. Report should be drafted where recruitment process was not followed, stating the reasons	47	Khetha Ngcobo Zama Mnqayi	Alpha Buthelezi	29 Mar 19
Payroll	Allowances were paid to employees in contravention of the policy. During the audit it was verified that the rates used on the pay slips for the car allowance does not agree to the approved human resource policies .The maximum allowance that the employees can receive R 14 000.	Management should review all the payments for allowances in the current year and confirm that they were all within approved policies. Exception report should be drafted in case where there are any discrepancies		Khetha Ngcobo Zama Mnqayi	Alpha Buthelezi	29 Mar 19
	No disciplinary board to investigate allegations of financial misconduct	Management should ensure that there are sufficient controls in place to prevent theft and losses in the municipality. Management should establish the disciplinary committee.	57	Alpha Buthelezi	Director: Corporate Services	30 Apr 19
	Differences in Salaries	Internal audit should be performed by the municipality to ensure all details captured in the system agrees to the contract signed by both parties.	62	Khetha Ngcobo Zama Mnqayi	Alpha Buthelezi	30 Apr 19
	Key positions in IT not fulfilled	Management should ensure that all key positions are fulfilled.	39	Khetha Ngcobo Zama Mnqayi	Alpha Buthelezi	30 Apr 19
IT	Performance reports not provided by service providers	Service providers need to provide management with performance reports.	40	Phila		30 Apr 19
	Disaster recovery plan not tested	Disaster recovery plan needs to be tested to ensure that it is operating effectively and efficiently.	41	Phila		30 Apr 19

Component	Issues	Activity	MR	Responsible Person/Preparer	Reviewer	Timeline/Deadline
	WIP projects not completed within the budgeted timeline	Management should keep track of the projects i.e review progress reports and a detailed report should be requested from the consultants where the project is not completed within the set time.	67	Sizwe Khumalo		29 Mar 19
Retentions	Retention schedule has not been updated for 2017/18	Financial Controller should be given access to the scanned vouchers in order to update payments on the Retentions Schedule. The list of retentions needs to be verified with contractors and all retentions paid/forfeited but still in the GL need to be adjusted correctly as per GRAP.	46	Vusi Myeni - Financial controller		30 Apr 19
sclosure	Water losses not accurate	Director of Technical Services to assist in ensuring that the water loss report is received in time from JOAT and is accurate. All supporting documents for the calculation need to be provided.	28 , 29, 30 & 31	Mr. Shezi- Director of Technical Services		29 Mar 19

Component	Issues	Activity	MR	Responsible Person/Preparer	Reviewer	Timeline/Deadline
E P W P	Lack of supporting documents for EPWP employees and its underperformance	The municipality has to maintain all supporting records for Submission to AG with regards to EPWP employees. Also it should improve its performance in this area as it has been underperforming since 2015 financial year.	66	Faith Ngubane	Mr T. Khumalo	29 Mar 19

ANNEXURE D

ORGANISATIONAL SCORECARD - 2017/2018 FY

UMKHANYAKUDE DISTRICT MUNICIPALITY																					
ANNUAL PERFORMANCE REPORT																					
PERIOD: 2017/2018																					
KPA	GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	2017-2018		2016-2017		2017-2018		ANALYSIS			POE	RESPONSIBILITY
											BUDGET	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	RATING		
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Human Resources Development	A1. To provide effective and efficient Human Resources Management aimed at achieving a skilled workforce that is responsive to Service delivery and change	Implementation of Human Resources Development Strategy	A 1.1	Percentage of HRD Plan Implemented	100% of HRD Plan implemented by 30 June 2018	%				R 0,00	R 0,00	30 Sep 16	Achieved - 31 March 2017	100%	Achieved			3	Report on implementation of the HRDP Plan	Corporate Services
			Implementation of Workplace Skills Plan	A 1.2	Date of adopting WSP	Council adopted WSP by 30 Nov 2017	Date				R 0,00	R 0,00	30 Nov 16	Not Achieved	30 Nov 17	Achieved - 31 May 2018			2	Council Resolution on WSP	Corporate Services
				A 1.3	Percentage of budget spent on implementing WSP	100% of Municipality's budget allocated for WSP spent on implementation by 30 June 2018	%				R 0,00	R 0,00	100%	Not Achieved	100%	Not Achieved	Budget constraints	Budget will be made available in the next FY to achieve this target	No Budget	Report of WSP expenditure	Corporate Services
			Implementation of Employment Equity Plan	A 1.4	Percentage achievement of EE targets	80% of targets achieved by 30 June 2018	%				R 0,00	R 0,00	Target not set	Target not set	80%	Not Achieved	Implementation of EE Plan was not being monitored	The new HoD has been employed which would make it possible to monitor the EE Plan implementation	Not Achieved	Report on EE achievement	Corporate Services
			Employment of people from EE target (designated group) employed in the three highest levels of management	A 1.5	Number of people from EE target employed in the three highest levels of management	3 people employed by 30 June 2018	Number				R 0,00	R 0,00	3	Not Achieved	3	Achieved			3	Report on EE targets	Municipal Manager
			Filling of critical vacant posts	A 1.6	Number of Critical vacant posts filled	4 Critical vacant posts filled by 31 March 2018 (MM, Corp, Tech, Finance)	Number				R 0,00	R 0,00	Target not set	Target not set	100%	Achieved				3	Appointment letters
	Employee Wellness	A2. To ensure effective implementation of Health and safety Plan	Implementation of Health and Safety Risk Plan	A 2.1	Percentage of Health and Safety Risk Plan implemented	100% of Health and Safety Risk Plan implemented by 30 June 2018	%				R 0,00	R 0,00	Target not set	Target not set	100%	Achieved			3	Report on implementation of the H&S RiskPlan	Corporate Services
	Administrative support	A3 To ensure effective and efficient administration	Implementation of admin support services	A 3.1	Number of admin support services implementation reports submitted to ExCo	12 admin support services implementation reports submitted to ExCo by 30 June 2018	Number				R 15 052 000,00	R 4 661 779,79	Target not set	Target not set	12 Reports	Achieved			3	Report on implementation of Admin Services	Corporate Services
	Information Communication Technology	A4. To ensure adherence to evolving technology	Implementation of ICT Framework	A 4.1	% of ICT Framework implemented	100% of ICT Framework implemented by 31 June 2018	%				R 0,00	R 0,00	Target not set	Target not set	100%	Achieved			3	Report on implementation of the ICT Plan	Corporate Services
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	High quality infrastructure network	B1. To provide high quality infrastructure network to support improved quality of life and economic growth	Provision of basic services	B1.1	Percentage of households with access to a minimum of basic level of service for water provision	72% of households with access by 30 June 2018 (addressing 5% of backlog during 2017/2018 FY)	%	151245 HH	103496 HH	47749	R 107 461 200,00	R 160 571 747,04	3000 hh	4365 hh	0%	Achieved (72% of HHs)	Portfolio of evidence was not credible	Happy letters would have to be collected quarterly and physically verified in the next coming FY	Not Achieved	Completion certificates - Water projects	Technical Services
				B1.2	Percentage of households with access to a minimum of basic level of service for sanitation provision	63% of households with access by 30 June 2018 (addressing 6% of backlog during 2017/2018FY)	%	151245 HH	85570 HH	65 675	R 89 803 100,00	R 47 521 218,10	1400 hh	5847 hh	0%	Achieved (63% of HHs)	Portfolio of evidence was not credible	Happy letters would have to be collected quarterly and physically verified in the next coming FY	Not Achieved	Completion certificates - Sanitation	Technical Services
				B1.3	Date of adoption of Water Services Development Plan (WSDP) by Council	Council WSDP adopted by 30 June 2018	Date				R 0,00	R 0,00	Target not set	Target not set	Adopted WSDP	Not Achieved (Not adopted)	Not Achieved due to WSDP having No Budget.	Budget has been made available during 2018/19 FY to commence with the development of the WSDP	No Budget	Council Resolution - WSDP	Technical Services
				B1.4	Date of Developing Sanitation Master Plan	Sanitation Master Plan developed by 30 June 2018	Date				R 0,00	R 0,00	Target not set	Target not set	Adopted SMP	Not Achieved (Not developed)	Not Achieved due to SMP having No Budget.	Budget has been made available during 2018/19 FY to commence with the development of the SMP	No Budget	Sanitation Master Plan Document	Technical Services
				B1.5	Date of Reviewing of Water Services By-laws and Policies	Water Services Bylaws for the District Municipality reviewed by 30 June 2018	Date				R 0,00	R 0,00	Target not set	Target not set	Adopted ByLaws	Not Achieved (not developed)	Not Achieved due to Water Services Bylaws and Policies having No Budget, but due to its urgency, Senior Manager - WSA is assisting with developing a draft document	Budget has been made available during 2018/19 FY to complete the development of Water Services Bylaws and Policies	No Budget	Water Services By-laws	Technical Services
				B1.6	Date of Wastewater Risk Abatement Plans approval by council	Approval of Wastewater Risk Abatement Plans by council on 30 June 2018	Date				R 0,00	R 0,00	Target not set	Target not set	Final Wastewater Risk Abatement Plans (W2RAPs) Report submitted to Council	Not Achieved (Not approved by Council)	Not Achieved due to W2RAPs having No Budget.	Budget has been made available during 2018/19 FY to commence with the development of the W2RAPs	No Budget	Council Resolution - Water Risk Abatement	Technical Services
				B1.7	Number of water schemes functionality reports submitted to Council	4 water scheme functionality reports submitted to Council by 30 June 2018	Number				R 0,00	R 0,00	Target not set	Target not set	4 Reports	Not Achieved (No functionality reports submitted to Council)	Not Achieved due to shortage of staff. As much as there is spending on the vote which is used to pay WSSA, the report on the Bulk Water Supply have not been prepared due to the uncertainty of WSSA contract shortage of staff	Report on Bulk Water Supply to be prepared and submitted to Portfolio Committee, Exco and Council for noting.	Not Achieved	Council Resolution - O&M	Technical Services
LOCAL ECONOMIC DEVELOPMENT	District economic growth and employment opportunities	C1. To expand district economic output and increase quantity and safety of employment opportunities	Establishment of cooperatives for people with disabilities	C1.1	Number of cooperatives for people with disabilities established	4 cooperatives for people with disabilities established/supported by 30 June 2018	Number				R 0,00	R 0,00	Target not set	Target not set	4 Cooperatives	Not Achieved	Appointment of the qualified service provider to train the coops, and supply them with startup equipment.		3	Report of cooperatives established	Community, Planning & Economic Development
			Monitoring of UMDA's performance as per the Business Plan for operational budget	C1.2	Number of quarterly performance review sessions held with UMDA	4 quarterly performance review session reports submitted to Council for approval by 30 June 2018	Number				R 0,00	R 0,00	4 Reports	Not Achieved	4 Reports	Not Achieved	There was no close oversight on performance targets for the Municipal Entity	The Office of the Municipal Manager will monitor performance targets of the Entity at least quarterly in the next FY	Not Achieved	Council resolutions on M&E reports submitted	Community, Planning & Economic Development
			Creation of job opportunities	C1.3	Number of jobs created through local economic development initiatives and capital projects	800 Jobs created by 30 June 2018	Number				R 0,00	R 0,00	600 Jobs	Achieved - 640 Jobs	800 Jobs	Achieved - 800 Jobs			3	Report on jobs created	Community, Planning & Economic Development and Technical Services

KPA	GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	2017-2018		2016-2017		2017-2018		ANALYSIS			POE	RESPONSIBILITY					
											BUDGET	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	RATING							
FINANCIAL VIABILITY AND MANAGEMENT	Revenue Collection	D1 To Implement Revenue Collection Strategy	Review existing credit control and debt collection policies	D1.1	Compliance with MFMA Section 64(2)(a)	Tariff Policy, Credit Control; Debt Collection Policies and By-Laws Tabled to Council for approval by 31 May 2018	Number					R 0,00	R 0,00	Target not set	Target not set	31 May 2018 (Tariff; Credit control; Debt Collection Policies and By-laws Approval by Council)	Achieved 06 Jun 2018 (Tariff; Credit control; Debt Collection Policies and By-laws Approval by Council)			3	Council Resolution on Finance Policies	Financial Services				
				D1.2	Compliance with MFMA Section 64(2)(a)	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0,5 throughout the 2017/18 FY	Ratio					R 0,00	R 0,00	<0.5	Achieved (0,24)	< 0.5	Not Achieved	The ratio is based on the collectable debtors after implementing the June 2014 Resolution, Indigent recon and Profiling of existing debtors	More than 50% Customers should receive timely communication of their outstanding balances as well as reminders to pay	Not Achieved		3	Quarterly Financial Statements	Financial Services		
				D1.3	Compliance with MFMA Section 65(2)(e)	More than 1 Debt coverage Ratio maintained throughout the 2017/2018 FY	Ratio					R 0,00	R 0,00	>1	Not Achieved (0,78)	>1	Achieved (1,5)					3	Quarterly Financial Statements	Financial Services		
	Expenditure Management	D2 To improve expenditure management	develop cash and accounts payable policy	D2.1	Compliance with MFMA Section 65(2)(c)	Cash and Accounts Payable Management Policy approved by Council by 31 May 2018	Date					R 0,00	R 0,00	Target not set	Target not set	30 Jun 18	Achieved (6 Jun 2018)			3	Quarterly Financial Statements and Council Resolution	Financial Services				
				D2.2	Compliance with MFMA Section 65(2)(e)	More than 1 Cost Coverage Ratio maintained throughout the 2015/2016 FY	Ratio					R 0,00	R 0,00	>1	Not Achieved (0,86)	>1	Achieved (1,5)					3	Quarterly Financial Statements	Financial Services		
	Improve Financial Management	D3. To Improve Financial Management	Develop a credible budget and report in accordance with the provisions of the MFMA	D3.1	Date of adoption of Budget	2018/2019 MTREF approved by Council by 31 May 2018	Date					R 0,00	R 0,00	31/5/2017 MTREF (Final Budget)	Achieved (31/5/2017)	31/5/2018 MTREF (Final Budget)	Achieved (6 Jun 2018)			3	Quarterly Financial Statements	Financial Services				
				D3.2	Compliance with MFMA Sec.71	Report Monthly to the Mayor in Terms MFMA Section 71	Number					R 0,00	R 0,00	12 MFMA Sec.71 Reports	Achieved (12 MFMA Sec.71 Reports)	12 MFMA Sec.71 Reports	Achieved (12 MFMA Sec.71 Reports)					3	MSCOA Reports	Financial Services		
				D3.3	Compliance with MFMA Sec.52, 66 & 72	Report Quarterly to Council in terms of MFMA Sec 52, 66 & 72	Number					R 0,00	R 0,00	4 Sec.52 Reports	Achieved (4 Sec.52 Reports)	4 MFMA Sec.52 Reports	Achieved (4 Sec.52 Reports)					3	SCM Reports	Financial Services		
	Implement Supply Chain Management Processes	D4. To Effectively Implement Supply Chain Management Regulations	Compilation of the organisational Annual Procurement Plan	D4.1	Date of development of a Procurement Plan	2017/18 Annual Procurement Plan approved by 28 February 2018; with 2018/2019 Annual Procurement Plan Approved by 30 June 2018	Date					R 0,00	R 0,00	Target not set	Target not set	30 June 2018 (Approval of 2018/19 Annual Procurement Plan)	Achieved	Template with internal memorandum was issued. No department submitted their plan to the SCM unit	Departments will be reminded to submit their plan by no later than 30 April 2018	3	Council Resolution on Procurement Plan	Financial Services				
				D4.2	% implementation of the procurement plan by 30 June 2018	100% implementation of the Procurement plan by 30 June 2018	%					R 0,00	R 0,00	Target not set	Target not set	100%	Not Achieved	Template with internal memorandum was issued. No department submitted their plan to the SCM unit	Departments will be reminded to submit their plan by no later than 31 Aug 2018	Not Achieved	Procurement Plan	Financial Services				
	Sound financial management	D5. Implement sound financial management	Monitor implementation of audit action plan on regular basis	D5.1	Compliance with MFMA Section 131(1)	90% of 2016/2017 Auditor General Findings raised against the Finance Department resolved by 30 June 2018	%					R 0,00	R 0,00	Target not set	Target not set	90% (2016/2017)	50% (2016/2017)	more than 50% of audit finding resolved. Mainly relates to SCM findings	The remaining Findings will be resolved via 2018 AFS	2	Audit Action Plan	Financial Services				
				D5.2	Compliance with DORA Section 21 - Unspent Conditional Grants	100% cash funding of MIG grant throughout the financial year.	%					R 0,00	R 0,00	Target not set	Target not set	100%	Achieved					3	Report on MIG Expenditure	Financial Services		
			2017/2018 Budget implementation	D5.3	Compliance with MFMA Section 69(1)(a)	Maintain > 95% spending on operating Adjusted budget by 30 June 2018	%					R 0,00	R 0,00	Target not set	Target not set	>95%	Achieved							3	Quarterly Financial Statements	Financial Services
				D5.4	Compliance with MFMA Section 69(1)(b)	Maintain >95% implementation of Service Charges Revenue Budget evenly throughout the financial year.	%					R 0,00	R 0,00	Target not set	Target not set	>95%	Achieved								3	Quarterly Financial Statements
			D5.5	Compliance with Government Gazette 37577 - Municipal Regulations on Standard Chart of Accounts	Table Quarterly and Mid-year reports to Council on Implementation of mmsCOA	Number						R 0,00	R 0,00	Target not set	Target not set	Quarter 4 Report	Achieved							3	MSCOA Implementation Report	Financial Services
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Improve Quality of Life	E1. To improve the quality of lives for people within Umkhanyakude District	Implementation of Special Programmes	E1.1	Number of Special Programmes implemented	4 Programmes (Snr Citizens, Gender, HIV/AIDS & Disability) implemented by 30 June 2018	Number					R 0,00	R 0,00	4 Reports	Achieved (Snr Citizens, Gender, HIV/AIDS & Disability)	4 Reports	Achieved (Snr Citizens, Gender, HIV/AIDS & Disability)					3	Reports on special programmes	Community, Planning & Economic Development		
			Implementation of Environmental Health Management Programmes	E1.2	Number of Council approved implementation plans for Environmental Management Services	4 Environmental Management Services implemented (water quality, Food Safety, Chemical Safety & Health and Hygiene Training) by 30 June 2018	Number					R 0,00	R 0,00	Target not set	Target not set	4 Reports	Achieved (water quality, Food Safety, Chemical Safety & Health and Hygiene Training)					3	Council Resolution - Environ Management	Community, Planning & Economic Development		
	E2. To ensure excellence in governance and leadership	Functionality assessment of Council committees and structures	E2.1	Number of functionality assessment reports developed	Four functionality assessment reports developed and submitted to Council by 30 June 2018	Number					R 0,00	R 0,00	Target not set	Target not set	4 Reports	Achieved							3	Council Resolutions on functionality of Committees	Corporate Services	
		Implementation of Risk management Plan	E2.2	% of Risk Management Plan implemented	100% of Risk Management Plan implemented by 30 June 2018	%					R 0,00	R 0,00	Target not set	Target not set	100%	Not Achieved	The Risk Management function was not functional during 2017/2018 FY	The Office of the Municipal Manager will resuscitate this function and ensure that the implementation plan is monitored regularly in the next FY	Not Achieved	Report on implementation of Risk Man Plan	Municipal Manager					
		Implementation of programmes for committees responsible for oversight	E2.3	Number of programmes implemented	8 Programmes implemented by 30 June 2018 (4 for MPAC and 4 for AUDCOM)	Number					R 3 724 000,00	R 0,00	Target not set	Target not set	8 Programmes	Achieved							3	Minutes of meetings and attendance registers	Municipal Manager	
Implementation of Public Participation Programmes	E2.4	Number of Public Participation programmes implemented	4 public participation programmes implemented by 30 June 2018	Number					R 0,00	R 0,00	Target not set	Target not set	4 Programmes	Achieved							3	Attendance Registers for Public Participation meetings	Municipal Manager			

KPA	GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET	UNIT OF MEASURE	DEMAND	BASELINE	BACKLOG	2017-2018		2016-2017		2017-2018		ANALYSIS			POE	RESPONSIBILITY			
											BUDGET	ACTUAL	PROJECTED	ACTUAL	PROJECTED	ACTUAL	COMMENTS	CORRECTIVE MEASURES	RATING					
GOOD GOVERNANCE AND PUBLIC PARTICIPATION...	Excellence in Governance and Leadership	E2. To ensure excellence in governance and leadership...	Implementation of IGR programmes	E2.5	Number of IGR programmes implemented	8 Programmes implemented by 30 June 2018 (4 for MM's Forum and 4 for Mayors Forum)	Number					R 0,00	R 0,00	8 meetings	5 meetings	8 Programmes	Achieved (8 meetings)			3	Minutes of meetings and attendance registers	Municipal Manager		
				E2.6	Date of developed of batho pele policy and procedure manual, SDIP and Service Charter	Batho Pele policy and procedure manual, SDIP and Service Charter by 30 October 2017	Date						R 0,00	R 0,00	Target not set	Target not set	30 Oct 17	Not Achieved		Batho Pele Programme needs to be introduced in the new FY - 18/19	Not Achieved	Batho Pele Policy	Municipal Manager	
			Implementation of Batho Pele Principles	E2.7	Percentage implementation of Service Delivery Implementation Plan (SDIP)	Achieved about 80% implementation of SDIP by 30 June 2018	Percentage							R 0,00	R 0,00	Target not set	Target not set	80%	Not Achieved	The Batho Pele Programme has not yet been adopted by the Council	Batho Pele Programme needs to be introduced in the new FY - 18/19	Not Achieved	SDBIP	Municipal Manager
				E2.8	Number of Batho pele campaigns conducted.	3 Batho Pele campaigns conducted by 30 June 2018	Number							R 0,00	R 0,00	Target not set	Target not set	1 Campaign	Not Achieved		Batho Pele Programme needs to be introduced in the new FY - 18/19	Not Achieved	Attendance Registers and reports on batho Pele campaigns	Municipal Manager
			Implementation of Back to Basics Action Plan	E2.9	Percentage of implemented matters in the B2B Action Plan according to stipulated time frames	100% implementation of B2B by 30 June 2018	Percentage							R 0,00	R 0,00	Target not set	Target not set	100%	Achieved	The Municipality regressed as it achieved 54%		3	Report on implementation of the Plan	Municipal Manager
CROSS CUTTING INTERVENTIONS	Performance Management System	F1. To ensure effective Organizational Performance Management System (PMS)	Develop PMS Framework to inform Monitoring and Review processes	F1.1	Date of developing and implementing PMS Framework	PMS Framework developed and adopted by Council by 30 June 2018	Date					R 0,00	R 0,00	Target not set	Target not set	Submission of 18-19 PMS Framework for Council adoption	Achieved			3	Council Resolution on PMS	Municipal Manager		
				F1.2	Number of M & E reports developed	5 reports developed by 20 June 2018	Number						R 0,00	R 0,00	Target not set	Target not set	5 Performance Reports Developed	Achieved			3	Council Resolution & Reports	Municipal Manager	
				F1.3	Number of M & E reviews conducted	4 M&E reviews conducted by 20 June 2018	Number							R 0,00	R 0,00	Target not set	Target not set	4 M & E Reviews Conducted	Not Achieved	Reviews that were conducted were informal	Formal Performance reviews need to be conducted during the new FY	Not Achieved	Council Resolution & Reports	Municipal Manager
	Integrated Development Plan	F2. To ensure effective integrated development planning (IDP)	Review IDP as per legislation and KZN COGTA Guide	F2.1	Date of reviewing the IDP	IDP Reviewed and adopted by Council by 31 May 2018	Date					R 0,00	R 0,00	Target set on a different KPA i.e. KPA 1	Target not set	Adoption of 18-19 IDP Review	Achieved			3	Council Resolution - IDP Adoption	Municipal Manager		
	Integrity and Quality of Physical Environment	F3. To ensure integrity and quality of physical environment underpinned by a coherent spatial development pattern	Implementation a functionally structured spatial development pattern guided by identified nodes and corridors through an effective land use management system	F3.1	Date of Council adoption of reviewed SDF	Reviewed SDF adopted by 31 May 2018	Date						R 0,00	R 0,00	Adoption of SDF	Achieved (31 May 2017)	Adoption of SDF	Achieved (06 Jun 2018)			3	Council Resolution - SDF	Municipal Manager	
			Implementation of Environmental Management Programmes	F3.2	Number of programmes implemented	4 programmes implemented (4 for EIAs) by 30 June 2018	Number							R 0,00	R 0,00	Target not set	Target not set	2	Achieved			3	Report on EIA programmes implemented	Community, Planning & Economic Development
Functional Disaster Management Unit	F4. To ensure functional and responsive Disaster Management Unit	Development of Disaster Management Framework Implementation Plan	F4.1	Date of developing Disaster Management Implementation Plan	Disaster Management Implementation Plan developed by 31 July 2017	Date						R 0,00	R 0,00	Target not set	Target not set	Implementation of the Plan	Achieved (31 July 2017)			3	Disaster Management Plan Document	Community, Planning & Economic Development		
Total											R 216 040 300,00	R 212 754 744,93											98%	

ANALYSIS OF PERFORMANCE - 2017/2018

Rating	Key		%	No of Targets
Expenditure	Expenditure		98%	N/A
N/D	Not Due		0%	0
No Budget	No Budget		10%	5
Not Achieved	Not Achieved		23%	12
1	Basic	Partially	0%	0
2	Basic 2	Achieved	4%	2
3	Competent		63%	33
4	Advanced	Target	0%	0
5	Superior	Exceeded	0%	0
				52


N. T. Dindla
 Acting Municipal Manager

ANNEXURE E

AUDIT COMMITTEE REPORT - 2017/2018 FY



REPORT OF THE AUDIT COMMITTEE TO THE UMKHANYAKUDE DISTRICT MUNICIPALITY COUNCIL

File Reference:
Report Number:

Author: Mrs. Charmaine Jugnarayan
Designation: Chairperson of the Audit Committee

CONFIDENTIAL
FOR CONSIDERATION

The Honourable Speaker
UMKHANYAKUDE DISTRICT MUNICIPALITY COUNCIL

SUBJECT: AUDIT COMMITTEE REPORT FOR 2017/18 FINANCIAL YEAR

DATE: 29 AUGUST 2018

1. INTRODUCTION

The Audit Committee of the Umkhanyakude District Municipality has pleasure in submitting its report to the Council for the above period for consideration.

2. PURPOSE

The purpose of this report is to apprise Umkhanyakude District Municipality Council of the outcome of the work done by the Audit Committee during the 2017/18 financial period.

3. LEGISLATIVE PROVISIONS

- 3.1 In terms of Section 165 of the Municipal Finance Management Act, Act 56 of 2003 ("the MFMA"), Internal Audit is directly accountable functionally to the Audit Committee. This accountability applies despite the administrative location of Internal Audit which is under the Office of the Municipal Manager.
- 3.2 Internal Audit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls, governance and risk management at Umkhanyakude District Municipality Municipality. This should not, however, be construed as channelling Internal Audit's direct responsibility to the Accounting Officer as this function reports to the Audit Committee as laid out in International Standards for the Professional Practice of Internal Audit (ISPPA) issued by the Institute of Internal Auditors of South Africa (IIA).
- 3.3 ISPPA requires that matters which arise in the course of the internal audit activities are confidential and primary discussion is restricted to Management and Accounting Officer. Discussion with Management is necessary when the draft audit report has

been prepared for Management comments and action plan developed for consideration by the Audit Committee, Executive Committee and Council. This is an essential feature of the good relationship between the Internal Auditors, Management and Council.

- 3.4 The report records the outcome of the work done by the Audit Committee. The committee from time to time made recommendations as preventative or corrective measures to the weaknesses identified by Internal Audit in the municipality based on reports and information, financial reports in terms of Section 52, 66, 71 and 72 of the MFMA supplied to the Audit Committee.
- 3.5 The recommendations or advice in this report have been made based on certain information at a point in time and supplied to the Audit Committee and are subject to change after due consideration of new information received as well as subsequent deliberation with the municipality.

4. **MEMBERS**

The Audit Committee consist of the members listed hereunder and meets as a minimum, four times a year as per the approved Audit Committee Charter. The composition of the committee is minimum of three members as per section 166 (4) (a) of the MFMA.

The Audit Committee was appointed on 01 April 2017 and consists of 3 members.

<u>Name of Member</u>	<u>Number of Meetings Attended</u>
Mrs. C Jugnarayan (Chairperson)	4
Mr. DD Mncwabe	4
Mr. V Thembe	3

Overview of Activities

The Committee held 3 meetings during the period under review on the following dates:

18 August 2017;
25 August 2017;
09 March 2018; and
22 May 2018

On 15 August 2018, a meeting was held to consider the internal audit reports for period together with the draft annual financial statements and the annual performance reports for the year.

On 29 August 2018, the Audit Committee held a follow up meeting to review the annual financial statements and the annual performance reports for the year ended 30 June 2018 together with the internal audit reports on the review thereof, before submission to the Auditor General by 31 August 2018.

5. 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 Committees' work was guided and regulated by an Audit Committee Charter and has discharged all its responsibility as contained therein.

5.1 Institutionalisation of Internal Audit Function

Internal Audit and Audit Committee operate within the mandate of the approved charters adopted by the Audit Committee and Council respectively.

5.2 Internal Audit Function

- (a) The work of the Internal Audit Activity is regulated by Section 165 MFMA, ISPPIA & Internal Audit Charter.
- (b) In terms of S165 (1) each Municipality is required to have an internal audit, S165 (3) allows the municipality to co-source the internal audit function if the Municipality requires assistance to develop its internal capacity.
- (c) The internal audit services were out-sourced to EY, the firm of Chartered Accountants and Auditors who were appointed in April 2017. The internal audit contract between the Municipality and the internal audit service provider was mutually terminated in February 2018.
- (d) The internal audit annual audit coverage plan for the 2017-18 year, prepared by EY, fell short of addressing the key critical areas. After consultation with the Municipal manager, the plan was redrafted in December 2017 to address the concerns as raised by the Auditor General as well. However, this resulted in the costing of the plan being greater than 15% of the amount originally tendered.
- (e) In April 2018, a new internal audit service provider Ntshidi and Associates, was appointed who picked up with the internal audit coverage plan. Hence there had been a delay and the Audit Committee began review of the work done by Internal Audit for the year in the August 2018 meetings.
- (f) Internal audit reports are presented and discussed with Management before they were tabled at the Audit Committee meetings. Issues that were raised were, deliberated upon and recommendations made to Council including the findings raised by the Auditor-General in their audit report for 2016/17 financial year.
- (g) The following progress against the internal audit plan for 2017/18 was reported.

<u>No.</u>	<u>Audit Area</u>	<u>Status</u>
1	Performance management System Q1,	Completed and reported in August,

<u>No.</u>	<u>Audit Area</u>	<u>Status</u>
2	Q2 & 3 of 2017/18 Human resources and payroll	15 th meeting Completed and reported in August 15 th 2018 meeting
3	Expenditure management and SCM management	Completed and reported in August, 15 th meeting
4	Follow up on the AG audit action plan	Completed and reported in August, 15 th meeting
5	IT General controls Review	Completed and reported in August, 15 th meeting
6	Revenue and credit risk management	Completed and reported in August, 15 th meeting
7	Review of the annual financial statements	Completed and reported in August, 29 th meeting
8	Review of the annual performance report	Completed and reported in August, 29 th meeting
9	Contract and project management	Audit in progress

(h) The following audits from the 2017/18 plan are planned for Q1 of 2018/19:

<u>No.</u>	<u>Audit Area</u>	<u>Status</u>
10	Governance and compliance review	Audit to be done in Q4
11	Verification of MSCoA take on balances	Audit to be done in Q4

(i) The Audit Committee continues to monitor the progress against the implementation of the annual audit plan.

5.3 System of Internal Control

5.3.1 The system of internal controls are designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are effectively and efficiently managed.

5.3.2 No internal audit reports were tabled to the Audit Committee during the year for consideration. The Audit Committee began review of the work done by Internal Audit for the year in the August 2018 meetings.

5.3.3 To further enhance the processes in place, Internal Audit conducts follows up audits on previously reported internal audit findings and reports progress to senior Management and the Audit Committee.

No follow up audits were conducted during the period under review due to the late appointment of internal auditors.

5.4 Performance Management

The Audit Committee also serves as the performance Audit Committee for Umkhanyakude District Municipality Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government:

Municipal Planning and Performance Management Regulations 2001 (Section 14) (Regulations).

The Audit Committee noted the concerns raised by Internal Audit on the delays in providing the portfolio of evidence to support the PMS reports for Q1, Q2 and Q3. The PMS Manager has been tasked with assisting the Directors and Internal Audit to ensure that the information is provided for audit.

In the meeting held on 9 March 2018, the Audit Committee considered the PMS reports for Q1 & Q2 and in the meeting on 15th April the Audit Committee noted the internal audit reports on PMS for Q1-Q3.

The annual performance report for the year and the internal audit reports thereon were reviewed by the Audit Committee on 29 August 2018. The Audit Committee requested Internal Audit follow up on the implementation of their recommendations prior to the submissions to the Auditor General, especially with regard to the verification of the portfolio of evidences that support Management actual performances on progress per target.

The Audit Committee has noted that Mr. V Thembe will represent the Audit Committee in the performance evaluation committee. This committee is expected to perform its 6 month review meeting soon.

5.5 External Audit by Auditor-General

- 5.5.1 The Audit Committee noted that the Auditor General engagement letter for the 2017-18 audit has been signed. The audit strategy document was tabled at the Audit Committee on 15th August 2018.
- 5.5.2 Based on processes followed and assurances received from the Auditor-General, nothing has come to the committee's attention with regard to any matter concerning the independence of External Auditors.
- 5.5.3 The Action Plan discussed and the Audit Committee noted that considerable progress has been made in addressing the issues raised by the Auditor General, however, these queries may remain as partially cleared year end, due to the complexity and additional governance procedures being implemented. Management is of the view that the root cause of the findings need to be reviewed.

5.6 Review of financial statements and accounting policies

The Audit Committee noted that the Municipality complied with the preparation of S71 reports. Management is working on reducing its large outstanding creditors and grants liability. Management has embarked on a positive creditors' verification process before payments are made to confirm the validity of the claim. All suspense account have been cleared. The Audit Committee also noted the report by the CFO that the finances of the Municipality was now stable.

The Audit Committee also noted that MSCoA has been implemented. The service provider has been engaged to address implementation problems and training. The Municipality is assisting the Agency with MSCoA implementation.

The Audit Committee has requested that they be provided with an audit readiness plan for both the financial statements and PMS, which will be reviewed by the Audit Committee, so that the Committee may assess implementation status at the next meeting.

The Audit Committee, during its review of the financial statements for the year ended 30 June 2018, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP). The Audit Committee also noted the findings and recommendations of Internal Audit.

The Audit Committee requested Internal Audit follow up on the implementation of their recommendations prior to the submissions to the Auditor General, as well as look at the disclosures on unauthorised, irregular, fruitless and wasteful expenditure, debt impairment and write off.

The Audit Committee is satisfied that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act and GRAP and, pending certain adjustments be made has approved the annual financial statements for submission to the Auditor-General.

5.7 Risk Management

No risk workshops were held during the period under review and the risk register was accordingly not updated. The risk register compiled during the previous period was used to update the internal audit plan. The Municipal manager has undertaken to follow up on the appointment of the risk committee.

It should also be noted that improvements in risk management include:

- The appointment of a risk officer;
- The ongoing updating of the risk register and annual risk workshop;
- The formal structuring and sitting of the risk committee;
- The appointment of the risk committee chairperson; and
- The tabling of risk committee minutes for the Audit Committee

5.8 Information and Communication Technology

IT Governance Framework and Strategy is an engine of any organisation and should be developed and implemented urgently. Management have been actively addressing the concerns raised by the AG.

The Audit Committee noted the report by Internal Audit on the IT General control review. The audit conclusion noted that the IT general controls in the Municipality are Not Adequate.

The risk exposure rating is high and has been based on:

- The impact of lack of functioning IT steering committee in the Municipality;
- The lack of IT risk management framework; and
- The control weaknesses identified in respect of information security management and user access control.

The Audit Committee noted the recommendations of the internal audit report and will continue monitor progress on the implementation of the recommendations.

5.9 Overall Positive Improvement

The Audit Committee was pleased with the improvements but was of the view that there more room for further improvements as effort was still required in a number of areas as highlighted in this report where there was slow progress in clearing issues raised by Internal Audit and Auditor General.

5.10 Recommendations

- (a) Council should ensure that there is support for the internal audit function;
- (b) Council should ensure prioritisation of risk management in terms of capacity & skills;
- (c) Council should ensure that the formal risk management committee minutes are tabled to the Audit Committee on a quarterly basis;
- (d) Council together with Management should implement a vigorous debt collection strategy.
- (e) The Council and Management need to further enhance internal controls over revenue management and SCM processes;
- (f) Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely.
- (g) Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Committee;
- (h) Key management vacancies need to be filled with permanent employment.

5.11 Conclusion

The Audit Committee is of the opinion that in addition to the recommendations to Council, Management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by Internal Audit, the Auditor General and Senior Management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring. Overall the Audit Committee has noted a positive improvement in the functioning of the municipality and will seek to monitor the implementation of resolutions quarterly

On behalf of the Audit Committee



Mrs. Charmaine Jugnarayan

Chairperson

Umkhanyakude District Municipality Audit Committee

29 August 2018

ANNEXURE F

ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY - 2017/2018

UMHLOSINGA
Development Agency



*"Opportunity
through Development"*
www.umd.org.za

ANNUAL REPORT 2017/18 FY



UMHLOSINGA DEVELOPMENT AGENCY
P.O. Box 369, St. Lucia, 3936
Lot 308, Ebony Crescent, Mtubatuba, 3935
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TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Foreword from the Board Chairman.....	04
1.2 Foreword from the CEO.....	06
1.3 Overview of the Agency.....	09

CHAPTER 2: GOVERNANCE

Section A: Governance Structures

2.1 Board Governance.....	13
2.2 Management Governance.....	26

Section B: Intergovernmental Relations

2.3 Intergovernmental Relations.....	27
--------------------------------------	----

Section C: Accountability

2.4 Relationship between Umhlosinga Development Agency and uMkhanyakude District Municipality.....	31
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Section D: Corporate Governance

2.5 Risk Management.....	32
2.6 Policies.....	35
2.9 Website.....	35

CHAPTER 3: SERVICE DELIVERY AND PERFORMANCE HIGHLIGHTS

Section A: Agribusiness Development.....	37
Section B: Tourism promotion and Development.....	38
Section C: Infrastructure Development.....	39
Section D: Industrial and Urban Development.....	40
Section E: Annual Performance Report.....	41

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Section A: Introduction to the municipal entity's workforce.....	65
Section B: Managing the Municipal Entity Employee Workforce.....	66
Section C: Capacitating the Municipal Entity Workforce.....	70
Section D: Managing the Workforce Expenditure.....	71

CHAPTER 5: FINACIAL PERFORMANCE

Section A: General Information.....	73
Section B: Financial Position.....	79
Section C: Net Assets.....	80
Section D: Financial Statements.....	81
Section E: Cash Flow.....	82
Section F: Statement of Comparison of Budget and Actual.....	83
Section H: Budget.....	84
Section I: Accounting Policies.....	85
Section J: Notes of the Annual Financial Statements.....	97

CHAPTER 6: AUDITOR GENERAL FINDINGS

Section A: Report of Auditor General.....	118
Section B: Action Plan to Address Audit Queries.....	124

C

HAPTER 1

I

NTRODUCTION AND OVERVIEW

1.1 FOREWORD THE CHAIRMAN



I am pleased to present to you the 2017/18 Annual Report as audited by the Auditor General. It's a new dawn for uMhlosinga Development Agency (UMDA) with recent changes that have taken place at executive level. As a newly appointed Board of Directors, we are pleased to serve our district of uMkhanyakude. On behalf of the Board, we would like to thank uMkhanyakude District Municipality (UKDM), our Parent Municipality which is the 100% shareholder, for entrusting us as a Board to champion Local Economic Development (LED) on its behalf.

As the newly appointed Board, we would also like to congratulate the management of UMDA on its outstanding work as presented through this report. It is comforting for us to come into an organization during an external audit period and be presented with such a report. To our former Chief Executive Officer, Mr. Mandla Ntuli, we thank you for your service and as a Board, we wish you well on your future endeavours. At this point the Board has appointed an Acting Chief Executive Officer, Dr. Stanley Sharaunga to assist us whilst we are in the process of appointing a new chief executive officer.

Coming into UMDA as a Board of Directors, our main focus will be on strengthening UMDA's relationships with various stakeholders. Key to that will be the relationship between UMDA and the UKDM. We note that the Service Level Agreement that is in place defines the relationship between the two parties. Beyond that, we wish to foster a closer working relationship through the representation of the Board in Council meetings, and UKDM'S council and management's involvement and participation in UMDA Board meetings.

As a Board, we would also like to thank the previous Board. We will review the current strategy document and make the necessary and informed decision on the strategy going forward. This process is critical for us to re-think our approach to foster economic development and providing

opportunities for the betterment of our people in the district.

In the meantime, this is our current vision, mission and strategic objectives:

Our vision

A leading partner providing investment solutions to economic development.

Our mission

To co-ordinate, plan and manage the implementation of a locally driven program of catalytic projects, to fast track the development of the local economy of the district of uMkhanyakude.

Our objectives

1. To promote sustainable commercialisation of agriculture and establishment of agri-business industries in the district
2. To develop world class tourism establishment
3. To develop settlements that promote urbanisation and industrialisation
4. To develop world class catalytic infrastructure that promotes economic development
5. To develop institutional capacity of the agency, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.

We understand that the task lying ahead of us in the next five years is huge. However, we hope and trust that through better working relationships, starting with the parent municipality (i.e., UKDM) and our stakeholders, the road will be smoother. We encourage management to continue with their dedication to excellence. In conclusion, as a Board, we will continue to subscribe to the core principles of good governance.

I thank you,

Mkhabela

Mr. Jabulani Mkhabela

Chairman of the Board of Directors

1.2 FOREWORD FROM THE CEO



Section 23 of Local Government Municipal Systems Act, 2000 (Act 32 of 2000) requires District Municipalities to strive to achieve economic growth and development. UMkhanyakude District Municipality subsequently established uMhlosinga Development Agency SOC Ltd (Reg. no 2004/016608/30) to facilitate sustainable economic growth and development for the benefit of the entire community falling under the jurisdiction of the uMkhanyakude District Municipality, inter alia through the promotion, initiation and management of various private, public, economic, social, cultural, environmental and infrastructure programmes.

uMhlosinga Development Agency (called “UMDA”) was formed and incorporated as a Developmental Entity for the express and sole purpose of assisting the uMkhanyakude District Family of Municipalities to achieve global standards of social and economic growth and development for all within the area of jurisdiction of the uMkhanyakude District Municipality through partnerships and technical support. Thus, uMhlosinga Development Agency (uMhlosinga) is trading as a State-Owned Company (SOC) and is wholly (100%) owned by the uMkhanyakude District Municipality. The development agency has a Service Level Agreement with the uMkhanyakude District Municipality in place. Its Board comprises of seven independent members appointed by Council and in general meet four (4) times during a financial year. The board has 2 sub committees outside of the board committee. The Audit Committee comprised of 3 independent, external members and meet at least 4 times per annum as per the MFMA. The DDA does have audited Annual Financial Statements and a fully active website.

The District Development Agency has been pursuing both pro-poor and market-oriented local economic development strategies in order to achieve its mandate. The development agency has four developmental units/departments each focusing on one area of local economic development. These include the Tourism Development Unit, Agribusiness Development Unit, Infrastructure Development Unit and Industrial Development Unit. Each developmental unit has a project manager who manage projects under their portfolio.

Agriculture and agribusiness together are the most important sectors in the district. We are elevating agri-business to be at the top of the agenda for economic transformation and development. Agribusiness is beginning to play a critical role in jump-starting economic transformation through the development of agro-based industries that bring much needed jobs and income. According to the constitution of South Africa, Districts Municipalities have been tasked with providing local farmers with access to markets. Thus, the development agency has been mandated by the uMkhanyakude District to develop a sustainable commercialization of Agriculture and Agribusiness industries in the district. In response to this mandate, the development agency has been establishing and managing projects aimed at linking farmers with markets in the district.

Tourism is currently a major draw card for the district. A number of jobs have been created in the sector but not significant enough to match the profile and growth of the industry. Transformation in the sector is also of priority, as we enter a new phase of economic transformation in our country. Tourism has not reached its full potential as the economic driver of the district economy, as outlined in the provincial growth and development plan and the Makhathini Integrated Development Plan. Through Route 22, The Hotel School and the Tourism Development Nodes, we are now implementing plans that will ensure that our district attracts more domestic and international tourists, while boasting with world class establishments and unique tourism attractions.

As far as infrastructural development is concerned, the Mkhuze Regional Airport Development has also gained momentum that has seen the successful completion of the runway rehabilitation. A number of other national airlines have confirmed their interest in Mkhuze to be their new destination. We are now working around the clock to make this a reality. Fencing of the airport precinct with a state-of-the-art fence has also been completed. We are currently in the process of appointing a service provider to construct the terminal building and the access roads. These are capital intensive projects but are also catalytic in nature. We will upscale our fundraising efforts and I am also confident that we will finally see the airport soon serving its purpose with the district.

Lastly, the industrial development unit has been focused mainly on two main areas namely: Industrial Park Development and Small Town Rehabilitation Programme. Since the National Development Plan (NDP) and the Industrial Policy Action Plan (IPAP), along with the Agricultural Policy Action Plan (APAP), provides for policy focus on agro-processing development, more focus has been put in the development of Agripack or Agrihubs in the district. On the other hand, the main objective of the Small Town Rehabilitation Programme has been to create a safe and clean

environment that will result in investment retention, attraction and expansion.

In the current year, the entity improved its financial and performance audit result, the entity obtained a clean administration on performance with no matters and unqualified audit opinion on finances. Overall, the financial viability is assessed as improving by the auditor general. Management since took a number of resolutions towards improving the audit opinion to that of clean audit. We are still committed to ensuring that the agency achieves and maintain a clean audit opinion going forward.

During the year under review we had both the CEO and CFO occupying their positions, this has provided stability in the organization, with less staff turnover. However, the term of office for Board of Directors has come to an end in May 2018 and has been replaced by a new board. Likewise, the term of office for the CEO has also come to an end and we are currently making efforts to appoint a new CEO. The new CEO together with the new Board of Directors will craft a new strategy to take the agency forward.

In order to achieve our mandate, the agency have been working with a number of stakeholders both in the province and nationally. We believe that if we have to make an impact as the agency, we need to work together with all the relevant stakeholders. We would also like to thank various stakeholders for supporting our projects both in cash or in kind. Your contribution in touching and changing the lives will never go unnoticed.

During this year under review we performed excellently and met most of our performance targets. We have reviewed our performance targets and aligned them to our capacity and mandate. I would like to thank all the staff members for their great work, commitment and dedication. To my board, you are an example of selfless dedication, commitment and vision. I cherish your contribution to the development of the district and her people. We will continue to manage our local resources to stimulate private investment opportunities in order to generate new jobs and taxes in the uMkhanyakude District.

Thank you.

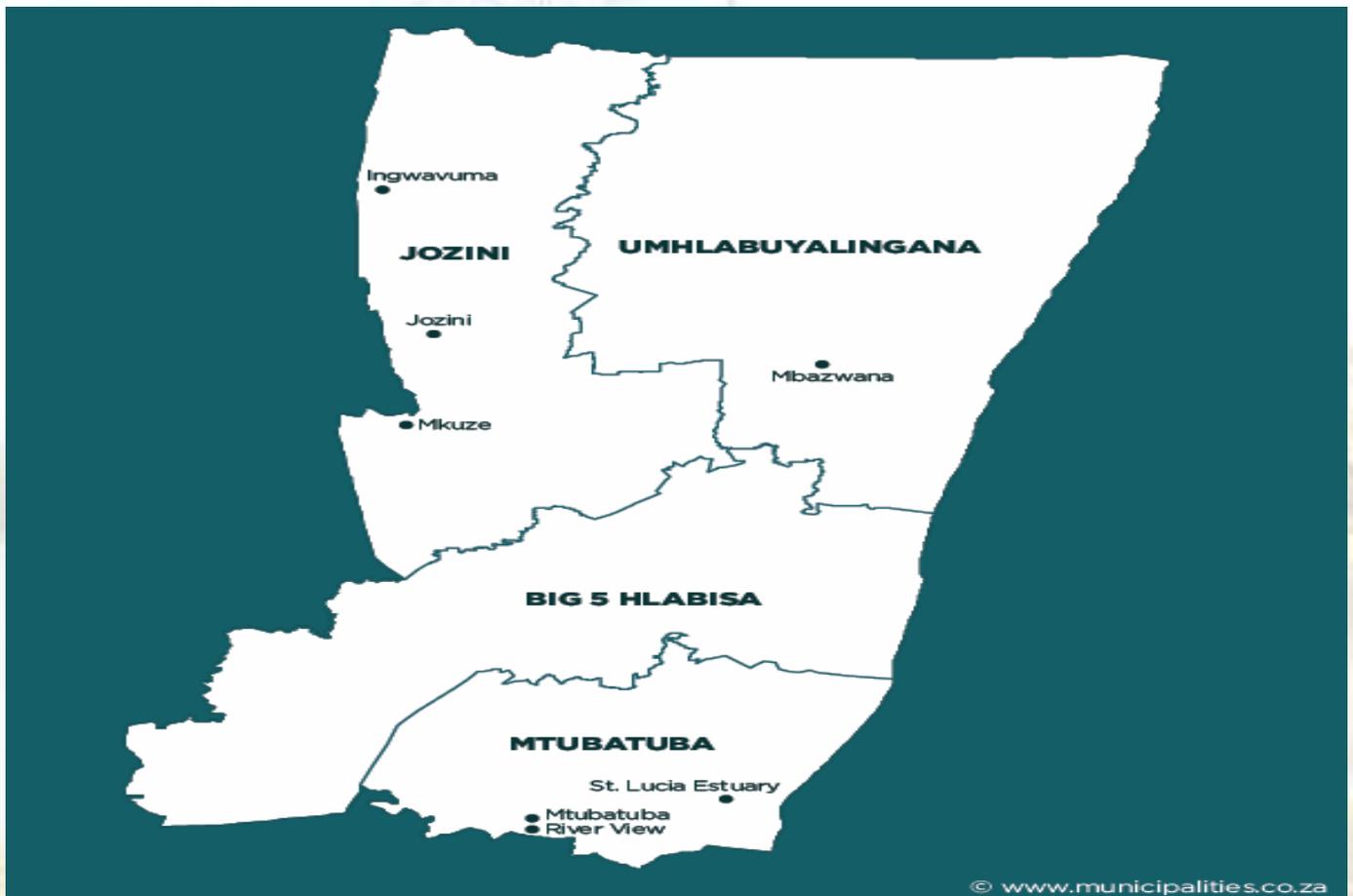
Stanley Sharaunga

Dr. Stanley Sharaunga

Acting Chief Executive Officer

1.3 OVERVIEW OF THE AGENCY

The district is located in the north-eastern corner of the province and shares a national border with Mozambique in the North, with Swaziland in the Northwest and is bounded to the east by the iSimangaliso world heritage site. The UMkhanyakude District Municipality abuts the municipal districts of uThungulu (to the south) and Zululand (to the west). The district forms the southern portion of the Maputaland Coastal Plain, which extends southwards from East Africa, through Mozambique and into northern KwaZulu Natal.



The district is named after the UMkhanyakude Tree (*Acacia Xanthophyllous*, Fever Tree which translated to English means “the light in the distance”). The district covers an area of approximately 12 818 km² and has a population of some 625 846 persons. The district is largely rural with only one formal town, namely Mtubatuba in the south. There are several towns in the area that are experiencing rapid growth including Mkuze, Hluhluwe, Jozini, Emanguzi and Mbazwana. The center of Jozini, in particular, has experienced considerable growth in investment and is fast becoming one of the strategic development nodes within the district.

Primary access to the district is by road mainly via the national N2 route (which links the southern and northern parts of the KwaZulu Natal province), and via the coastal SDI route (MR439), which upon completion, will link the national N2 route, with the city of Maputo, in Mozambique. The district is strategically linked to the provincial markets of KwaZulu Natal and Mpumalanga and to the neighboring market of Swaziland, via the N2 route. In terms of international trade links, the district's has access to global markets through the provincial ports of Durban and Richards Bay. Upon completion of the LSDI route between Hluhluwe and Maputo, the district will have a direct link to the Port of Maputo, in Mozambique.

UMkhanyakude has outstanding potential for agriculture and tourism development, with the district having a wealth of natural beauty and outstanding landscapes, as well as a favorable climate and fertile soils for major agricultural production. The district is closely associated with the iSimangaliso, "Maputaland", the Makhathini Flats and the Pongola-Poort/Jozini Dam (constructed in the 1970's with the intention of unleashing the agricultural potential of the area).

Several initiatives have been taken in the post-apartheid period, in an effort to boost economic activity in the sub region, including:

1. The recognition of the iSimangaliso as a UNESCO World Heritage Site, in 1999.
2. The rollout of the Lebombo Spatial Development Initiative (LSDI), a joint program by South Africa, Swaziland and Mozambique that aims to unlock economic development potential of the wider Lubombo sub-region within the framework of the South African Development Community (SADC).
3. Tripartite Conservation Agreements with the two neighboring SADC countries of Swaziland and Mozambique focused on the future establishment of a Trans-Frontier Conservation Area (TFCA), to boost social and economic interchange, and tourism in the region.

Notwithstanding the aims and objectives associated with the abovementioned initiatives, the district currently remains an area characterized by extreme poverty and a pronounced lack of development across vast areas of the jurisdiction. It is for this reason amongst others that UMDA was established as a municipal entity dedicated to promoting economic development through the facilitation and implementation of economic catalytic projects.

The UMkhanyakude District Municipality's Integrated Development Plan; 4th Generation 2017/18 described the UMDA's mandate as: **UMhlosinga Development Agency (UMDA)-**

In response to the challenges regarding Economic Development, the UMkhanyakude District Council decided to establish a Special Purpose Vehicle to drive Economic Development in the District. The UMhlosinga Development Agency was established by Council resolution in 2006. With financial assistance from the Local Economic Development Agency program of the Industrial Development Corporation, the agency started Operations on the 1st of January 2008.

The UMDA speaks to 5 major Key objectives of the IDP

1. Financial Viability
2. Economic Development
3. Corporate Governance
4. Institutional Development
5. Job Creation

The UMDA functions as a Local Economic Development Agency (LEDA) spearheading growth and development in the sub region. The District Municipality has formally mandated the agency, to be responsible for the planning and implementation of a program of sustainable economic that acts as an agent, for and on behalf of the UMkhanyakude District Municipality, for the purposes of implementing an integrated and sustainable program of economic development in the area.

C HAPTER 2

G OVERNANCE

2. SECTION A: GOVERNANCE STRUCTURES

2.1 BOARD GOVERNANCE

The UMDA's Board of Directors (non-executive) were appointed by the UMkhanyakude District Municipality in accordance with Section 86H of the Local Government Municipal Systems Act; 2000; as amended. The Board that was chaired by Mr. Russel Tembe came to an end as per their appointment of a five-year period. The Board had its last meeting in March 2018. The previous Board consisted of seven members; five non-executive and two executive members.

The Board focused on providing strategic direction and monitoring the performance of the organisation. The Board implemented the 2014-2019 Strategy which was adopted in May 2013. The development of the 2014-2019 Strategic Plan was directly aligned to the contextual District Municipality's Growth and Development Plan, Provincial Growth and Development Strategy and the National Strategic Plan. As part of strategy implementation, the Board approved the 2015-2018 Business Plan which forms the bases for this annual report. A Close-Out report was prepared and discuss in the last board meeting and subsequently submitted to the parent municipality. The report presents the performance of the Board during its term of office and challenges which were followed by key recommendations for the future of the UMDA.

2014-2019 Strategy Performance

Analysis on Strategy Implementation as the first graph looks at number of objectives achieved vs. objective not achieved and the second graph focuses more on number of milestone achieved per objective area of the strategy.



In accordance with Section 86H of the Local Government Municipal Systems Act, UMkhanyakude District Municipality appointed an Interim Board to serve from July 2018 – August 2018. Subsequent to that, an advert to appoint a permanent board was published. The permanent board is planned to come into office in September 2018.



Board Committees:

BOARD MEMBER	CAPACITY	BOARD COMMITTEE	RACE	GENDER
Mr. Russell Tembe	Non-executive	Board Chairman	African	Male
Mr. Sibusiso Gumbi	Non-executive	Deputy Chair Board committee on Unauthorized, Irregular, Fruitless Wistful Expenditure	African	Male
Mr. Zwelisha Ndwandwe	Non-executive	Member Unauthorized, Irregular, Fruitless Wistful Expenditure	African	Male
Mr. Sipho Nyawo	Non-executive	Member	African	Male
Mr. Mfundo Thango	Non-executive	Member	African	Male
Mr. Mandla Ntuli	Executive	Chief Executive Officer	African	Male
Mrs. Qhamu Mntambo	Executive	Chief Financial Officer	African	Female

Board Meetings:

BOARD MEMBER	BOARD MEETINGS			
	No. Meetings	Attendance	Apology	Absent
<i>Mr. Russell Tembe</i>	4	4	0	0
<i>Mr. Sibusiso Gumbi</i>	4	4	0	0
<i>Mr. Zwelisha Ndwandwe</i>	4	3	1	0
<i>Mr. Sipho Nyawo</i>	4	0	4	0
<i>Mr. Mfundo Thango</i>	4	1	3	0
<i>Mr. Mandla Ntuli</i>	4	4	0	0
<i>Mrs. Qhamu Mntambo</i>	4	4	0	0

Board Engagements:

BOARD MEMBER	BOARD ENGAGEMENTS			
	UMkhanyakude District Municipality		Sector Departments	Investors
	Council	EXCO		
<i>Mr. Russell Tembe</i>	✓	✓	✓	✓
<i>Mr. Sibusiso Gumbi</i>	✓	✓	✓	x
<i>Mr. Zwelisha Ndwandwe</i>	✓	✓	✓	x
<i>Mr. Sipho Nyawo</i>	x	x	x	x
<i>Mr. Mfundo Thango</i>	x	✓	✓	x
<i>Mr. Mandla Ntuli</i>	✓	✓	✓	✓
<i>Mrs. Qhamu Mntambo</i>	✓	✓	✓	✓

2.2 AUDIT COMMITTEE

File Reference:

Author: Mrs. Charmaine Jugnarayan

Report Number:

Designation: Chairperson of the Audit Committee

CONFIDENTIAL

The Chair of the Board

FOR CONSIDERATION

UMHLOSINGA DEVELOPMENT AGENCY

SUBJECT: AUDIT COMMITTEE REPORT FOR THE 2017/18 FINANCIAL

YEAR DATE: 23 AUGUST 2018

1. INTRODUCTION

The Audit Committee of the UMhlosinga Development Agency has pleasure in submitting its report to the Board for the above period for consideration.

2. PURPOSE

The purpose of this report is to apprise UMhlosinga Development Agency Board of the outcome of the work done by the Audit Committee during the 2017/18 Financial Period.

3. LEGISLATIVE PROVISIONS

3.1 In terms of Section 165 of the Municipal Finance Management Act, Act 56 of 2003 ("the MFMA"), Internal Audit Unit is directly accountable functionally to the Audit Committee. This accountability applies despite the administrative location of the Internal Audit Unit which is under the Office of the Chief Executive Officer.

3.2 Internal Audit Unit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls, governance and risk management at UMhlosinga Development Agency. This should not, however, be construed as channelling the Internal Audit's direct responsibility to the Accounting Officer

as this function reports to the Audit Committee as laid out in International Standards for the Professional Practice of Internal Audit (ISPPA) issued by the Institute of Internal Auditors of South Africa (IIA).

- 3.3** ISPPA requires that matters which arise in the course of the internal audit activities are confidential and primary discussion is restricted to management and Accounting Officer. Discussion with management is necessary when the draft audit report has been prepared for management comments and action plan developed for consideration by the Audit Committee, Executive Committee and Board. This is an essential feature of the good relationship between the internal auditors, management and the Board.
- 3.4** The report records the outcome of the work done by the Audit Committee. The committee from time to time made recommendations as preventative or corrective measures to the weaknesses identified by the Internal Audit Unit in the Agency based on reports and information, financial reports in terms of Section 52, 66, 71 and 72 of the MFMA supplied to the Audit Committee.
- 3.5** The recommendations or advice in this report have been made based on certain information at a point in time and supplied to the Audit Committee and are subject to change after due consideration of new information received as well as subsequent deliberation with the Agency.

4. MEMBERS

The Audit Committee consist of the members listed hereunder and meets as a minimum, four times a year as per the approved Audit Committee Charter. The composition of the committee is minimum of three members as per section 166 (4) (a) of the MFMA. The Audit Committee was operational for the period under review. The Audit Committee members of the UMkhanyakude District Municipality were appointed as members for the Agency Audit Committee on 01 April 2017. The appointment was ratified by the Board on 15th August 2017. The Audit Committee consists of 3 members.

Name of Member	Number of Meetings Attended
Mrs. C Jugnarayan (Chairperson)	4
Mr. V Thembe	4
Mr. DD Mncwabe	4

Overview of Activities

The Committee held 4 meetings during the period under review on the following dates:

- 25 August 2017
- 05 December 2017
- 17 January 2018; and
- 25 June 2018;

A meeting was held on 23 August 2018 to review the annual financial statements and the annual performance report, which was attended by all members.

5. 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 Committees' work was guided and regulated by an Audit Committee Charter and has discharged all its responsibility as contained therein.

5.1 Institutionalisation of Internal Audit Function

Internal Audit Unit and Audit Committee operate within the mandate of the approved charters adopted by the Audit Committee, Board of the Agency and the Council of the UMkhanyakude District Municipality respectively.

5.2 Internal Audit Function

- a) The work of the Internal Audit Activity is regulated by Section 165 MFMA, ISPPIA & Internal Audit Charter.
- b) In terms of S165 (1) each Municipality is required to have an internal audit, S165 (3) allows the municipality to co-source the internal audit function if the Municipality requires assistance to develop its internal capacity. Ubuntu Business Advisory and Consulting (UBAC) are the internal auditors for the Agency. The Internal Audit Unit operates on the annual audit coverage plan which was approved by the Audit Committee on 05 December 2017. There was a delay in the approval of the internal

audit plan and the execution of the work by the internal audit unit, due to budgetary constraints and cash flow challenges.

- c) Internal audit reports were presented and discussed with management before they were tabled at the Audit Committee meetings. Issues that were raised were, deliberated upon and recommendations made to Board including the findings raised by the Auditor-General in their audit report for 2016/17 financial year.]
- d) The following progress against the internal audit plan for 2017/18 was reported in the June 2018 meeting: The period of audit coverage was 1 July 2017 to 31 March 2018.

No.	Audit Area Status
1	Performance management information Q3 Completed & reported

- e) The following reports were presented and reported on in the August 2018 meeting. The period of audit coverage was 1 July 2017 to 31 May 2018.

No.	Audit Area Status
2	Human resource management Completed & reported
3	Supply chain management Completed & reported

- f) The following reports were presented and reported on in the August 2018 meeting. The period of audit coverage was 1 July 2017 to 30 June 2018.

No.	Audit Area Status
4	Review of the annual financial statements Completed & reported
5	Review of the annual performance report Completed & reported

- g) The following reports were completed but not yet finalised, these will be tabled at the next audit committee meeting. The period of audit coverage was 1 July 2017 to 30 June 2018.

No.	Audit Area Status
6	Audit of assets completed, not yet finalise

- h) The Audit Committee continues to monitor the progress against the implementation of the annual audit plan. The internal audit coverage plan included six more audits

to be performed for the 2016/17 financial year. These audits have been completed and will be tabled at the next audit committee meeting in December.

5.3 **System of Internal Control**

5.3.1 The system of internal controls is designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are effectively and efficiently managed.

5.3.2 The tabled reports highlighted the following summary of findings:

Audit Area	Finding Risk rating: High	Finding Risk rating: Medium	Finding Risk rating: Low	Total audit Findings
PMS for the year	2	0	0	2
Human resource management	2	4	1	7
Supply chain management	5	1	1	7
Total	9	5	2	16

The audit Committee notes that the overall rating of control effectiveness with respect to the performance management was good, human resource management was satisfactory and supply chain was rated as weak. Of concern to the Audit Committee is the significant number of high-risk findings relating to the supply chain management that require immediate attention. Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

5.3.3 To further enhance the processes in place, the Internal Audit Unit conducts follow up audits on previously reported internal audit findings and reports progress to senior management and the Audit Committee.

No follow up audits were conducted during the period under review due to the late implementation of the internal audit plan.

5.3.4 The Audit Committee recommends that the internal audit reports include the overall internal audit conclusions on the rating of the effectiveness of internal controls and indicate whether the control framework is operating as designed.

5.4 Performance management

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

The Audit Committee noted the internal audit reports on the performance management system. The overall conclusion on the report for the year was rated good, indicating that most risks are controlled and mitigated. Management has made significant progress in the managing the risks and improving control effectiveness regarding performance management.

In the meeting held on 23rd August, the Audit Committee considered the PMS report and the internal audit report on the PMS for the period under review. The Audit Committee notes a significant improvement in the quality of the reports. The report highlights that during the 2017/2018 financial year 19 targets were achieved at an organisational level which represented 70% success rate.

5.5 External Audit by Auditor-General

5.5.1 The Audit Committee has reviewed the External Audit scope to ensure the critical areas within the Agency are being addressed. In addition, the committee considered the audit strategy. The audit engagement letter and audit strategy document was tabled to management in August 2018 for signature.

5.5.2 Based on processes followed and assurances received from the Auditor-General, nothing has come to the committee's attention with regard to any matter concerning the independence of External Auditors.

5.5.3 The Auditor-General will be performing a status of records review for the period leading up to the year end. The dashboard report will form part of the report to management on the external audit.

5.5.4 The Audit Committee continues to assess progress on the action plan, which addresses these issues raised by the Auditor-General.

5.6 Review of financial statements and accounting policies

The Audit Committee, during its review of the financial statements for the year ended 30 June 2018, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP).

The Audit Committee is satisfied that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act and GRAP and, pending certain adjustments be made has approved the annual financial statements for submission to the Auditor-General.

At year end, the Agency was lagging behind on the implementation of MSCOA, this was as a result of waiting for the District Municipality approval on costs related to the implementation. CAMELSA has been appointed as the service provider and has indicated its availability to start.

5.7 Risk Management

During the year the Agency appointed an acting risk officer who was responsible for the risk management processes and a risk register is in place. The risk workshop was held on 12 April 2018. Internal Audit have utilised this report in the preparation of their internal audit plan for 2018/19.

Management have indicated that due to limited resources they will monitor the risk process

internally at their MANCO meetings, as opposed to the formal structuring and sitting of the risk committee. The Audit Committee has requested that at each meeting they be provided with a risk register and report on the follow up of the risks from the last meeting.

It should also be noted that improvements in risk management include:

- The risk policy to be aligned to current legislation and practice;
- The drafting of a standard operating procedure document with document risk identification processes, in line with the risk policy and best practice;
- Training to staff on the standard operating procedures, in particular, risk identification and risk management;
- The ongoing updating of the risk register and annual risk workshop;
- Senior management to regularly review the risk register and manage implementation of controls.

5.8 Information and Communication Technology

IT Governance Framework and Strategy is an engine of any organisation and should be developed and implemented urgently. Management have been actively addressing the concerns raised by the AG.

5.9 Overall Positive Improvement

The Audit Committee was pleased with the improvements but was of the view that there more room for further improvements as effort was still required in a number of areas as highlighted in this report where there was slow progress in clearing issues raised by Internal Audit Unit and Auditor General.

5.10 Recommendations

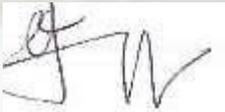
- a) The Board should ensure that there is support for the internal audit function;
- b) The Board should ensure prioritisation of risk management in terms of capacity & skills;
- c) The Board should ensure that the formal risk management committee minutes are tabled to the Audit Committee on a quarterly basis;
- d) The Board together with management should foster good relations and improve communication with the District Municipality;

- e) The Board and management need to further enhance internal controls over revenue management and SCM processes;
- f) Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely; and
- g) Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Committee;

5.11 Conclusion

The Audit Committee is of the opinion that in addition to the recommendations to the Board, Management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by both Internal Audit, the Auditor General and Senior Management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring. Overall the Audit Committee has noted a positive improvement in the functioning of the Agency and will seek to monitor the implementation of resolutions quarterly.

On behalf of the Audit Committee



Mrs. Charmaine Jugnarayan

Chairperson

UMhlosinga Development Agency Audit Committee

23 August 2018

2.3 MANAGEMENT GOVERNANCE



SECTION B: INTERGOVERNMENTAL RELATIONS

RELATIONSHIP WITH AMAKHOSI

Inkosi Mabhdu Israel Tembe. The UMDA engages Amakhosi in all projects as they are custodians of land in most of the areas of the district. The relationship with Amakhosi is cordial but is also strengthened by the fact that the Board Chairman is a prince of the Tembe Royal family, Mr Nyawo, a board member is also a prince of the Nyawo Royal Family and Mr Gumbi, the Deputy Chairperson in the iNduna for His Majesty, King Goodwill Zwelithini Zulu. This has strengthened the relationship with Amakhosi who are always positive on UMDA initiatives. The UMDA engages with Amakhosi at different project level to ensure that the relationship is maintained.

- When a project is identified in the area, the project is introduced to the local traditional authority;
- Meeting with the traditional house to discuss the project in detail;
- A request for the use of the identified site is thereafter made;
- Draft memorandum of understanding (MOU) is submitted and discussed;
- When agreement has been signed, processes towards applying for the land through Ingonyama Trust commence;
- Continuous engagements with the traditional authority is made; and
- Lastly once investment into the project is received, the Inkosi is a critical role player to ensure that the community benefits as per MoU.

LOCAL MUNICIPALITIES

The local municipalities (LM) are the main beneficiaries of all UMDA projects. The UMDA continues to engage with LMs for local economic development (LED). The UMDA presents projects of a locality to the LM and participates in the following platforms as chaired by the UMkhanyakude District Municipality to maintain relationships:

- LED forums;
- Tourism forums;
- IDP Representative Forums; and
- The UMDA also ensures that the LMs full participates in project through project steering committee meetings (PSC).

During the 2016/17 FY the UMDA implemented the following projects in the municipalities:

MUNICIPALITY	INDUSTRY	PROJECT
Jozini Municipality	Small Town Rehabilitation	Construction of Ndumo Market Stall
		Mkhuze Market Stalls
	Tourism Development	Jozini Mountain Top
		Jozini Cecil Marks Pass
		Fresh Produce Market
	Agribusiness Development	Food Security Estate
		Hydroponic Tunnels
		Bhambanana Abettor
		Mkhuze Airport
	Infrastructure Development	Jozini Hydro
		Mkhuze Industrial Park
	Industrial Development	

MUNICIPALITY	INDUSTRY	PROJECTS
UMhlabuyalingana Municipality	Industry Development	Manguzi Industrial Park
	Tourism Development	Umhlabuyalingana Node
	Agribusiness Development	Marula Processing
The Big 5 Hlabisa Municipality	Tourism Development	Hlabisa Node
Mtubatuba Municipality	Tourism Development	Hotel School Development
	Small Town Rehabilitation	Mtubatuba Interchange
UMkhanyakude District Municipality (district wide projects)	Agribusiness Development	National Schools Nutrition Project
	Agribusiness Development	Farmer Support
	Small Town Rehabilitation	Regeneration Plan
	Infrastructure Development	Broadband Connectivity

RELATIONSHIP WITH STAKEHOLDERS

As the UMDA is funded by the UKDM for operational expenses, this leaves a gap for capital budget requirement. The mandate of the UMDA could never be realised through operational funding alone, therefore the Board has taken an aggressive approach to ensuring that they engage with stakeholders for technical and financial support towards project implementation.

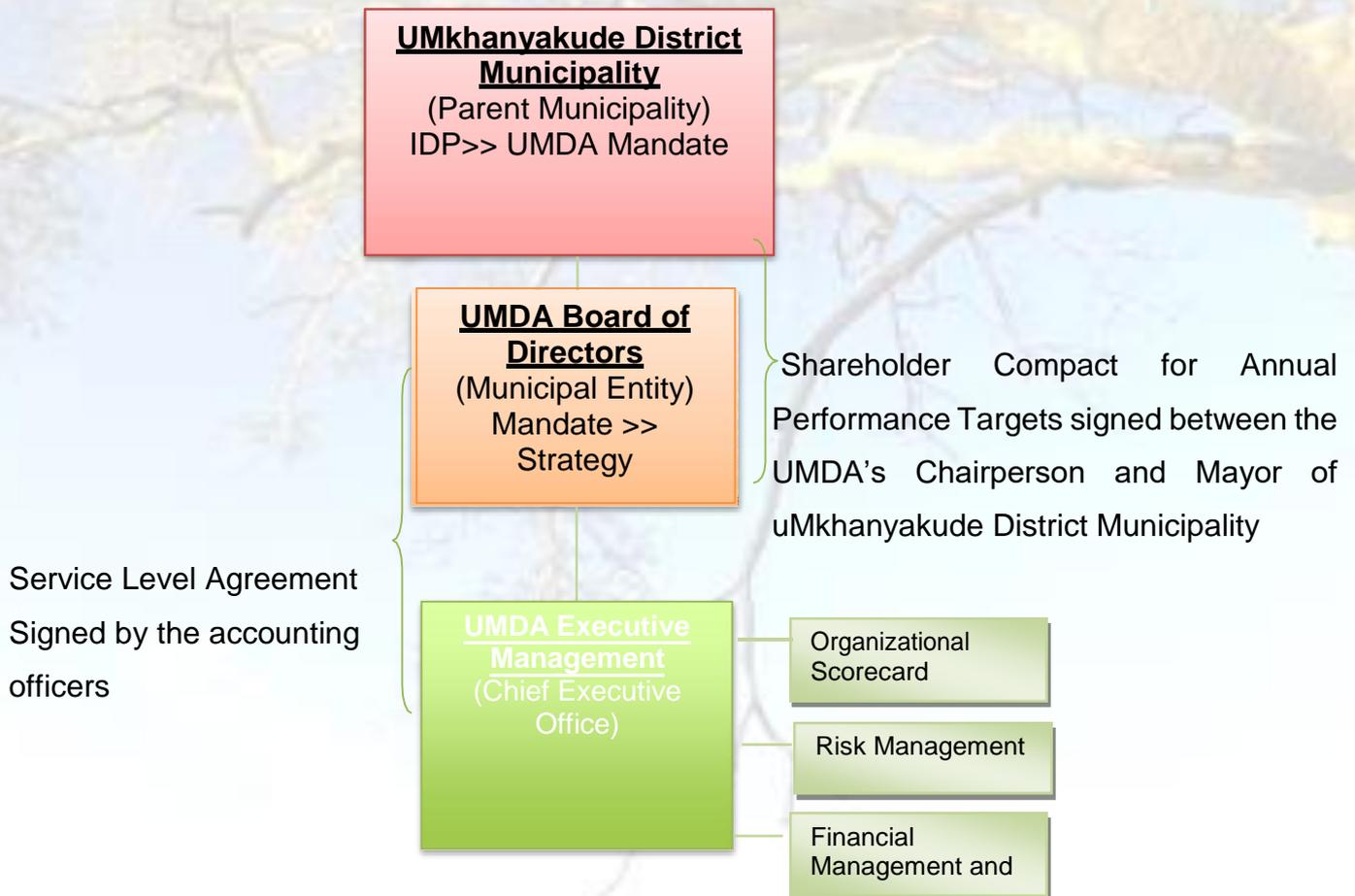
The relationship with stakeholders is therefore very important. In the past financial year, the UMDA has had much support from the Department of Corporative Governance and Traditional Affairs; the Department of Education and the Department of Economic Development, Tourism and Environmental Affairs. This relationship has boosted the UMDA financial position and has made the UMDA to be visible to local communities.

The UMDA has engaged the following stakeholders in the FY:

STAKEHOLDER	PURPOSE / PROJECT	TECHNICAL SUPPORT / FUNDING
The Industrial Development Corporation (IDC)	- The Establishment of a Canning/Packing Facility in UMkhanyakude District.	- Funding
The KwaZulu Natal Cooperative Governance and Traditional Affairs	- Construction of Ndumo Market Stalls	- Funding (project reached close out phase during the 2017/18 FY)
The KwaZulu Natal Department of Economic Development, Tourism and Traditional Affairs	- Mkhuze Airport Development ✓ Runway Rehabilitation	- Funding
The KwaZulu Natal Department of Education	- National School Nutrition Project	- Funding (contract ended in December 2017)
CATHSSETA	- Placement of 49 students	- funding
Tourism World	- Learnerships for Wine Service 13 students.	- Technical support

SECTION C: ACCOUNTABILITY

2.4 RELATIONSHIP BETWEEN THE UMHLOSINGA DEVELOPMENT AGENCY AND UMKHANYAKUDE DISTRICT MUNICIPALITY



RELATIONSHIP WITH UMKHANYAKUDE DISTRICT MUNICIPALITY

The relationship between the UMDA and the UKDM is governed by the Municipal Systems Act; Municipal Finance Management Act and Companies Act. Over the years the relationship between the two has evolved. Whilst the relationship is highly regulated, both parties have made attempts to ensuring that good governance and transparency between the two remains through a relationship of trust.

SHAREHOLDER AND MANAGEMENT

The relationship between the accounting officers of both institutions is critical to the success of the local economic development mandate that is given to the UMDA. The UMDA engages the office of the municipal manager for both compliance and relationship requirements. The challenges which are facing the office of the municipal manager have a direct impact on the UMDA. For the 2017/18 FY the UMDA has spent most of the FY with building the relation with the office of municipal manager.

SHAREHOLDER AND THE BOARD

The relationship between the Shareholder, uMkhanyakude District Municipality and the Board of UMhlosinga Development Agency is governed by the primarily the Municipal Systems Act and the Municipal Finance Management Act. According to the Local Government Municipal Systems Amended Act, no 44 of 2003, 93B (a), the Parent Municipality having sole control, requires for annual performance targets and indicators to be established in agreement with the municipal entity. During the year under review, engagements between the shareholder and the board didn't yield to a signing of shareholder agreement. Whiles engagement did not yield to an agreement for the 2017/18 annual performance targets, council did approve the transfer of the UMDA's operational grant for the execution of the 2017/18 annual performance targets.

The current leadership combined what used to be the Community Services and the Planning, the two should economic Development and thus introduced the Community, Planning and Economic Development Portfolio (CPED), which is chaired by Cllr. Ngcobo. As a committee the Board has engaged the CPED on the agency and its mandate. Invitations to portfolio committee meetings have been honoured and attended by the accounting officer, Mr. Mandla Ntuli with required report being submitted timeously.

2.5 RISK MANAGEMENT

In accordance with the requirements of the MFMA, the Systems Act, the Company's Act, and principles outlined in the King Code report, the Board has the responsibility to manage the risk of the agency. In the previous financial year the Board adopted the Risk Policy and delegated the responsibility of risk management to the Chief Executive Officer.

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of the UMDA will pro-actively, purposefully and regularly, but at least quarterly, identify and define current as well as emerging business, financial, disaster recovery, economical, governance, compliance, human resources and operational risks while identifying appropriate, business and cost effective methods of managing these risks within the Agency, as well as the risk to the stakeholders. We are committed to continually improving our risk management capabilities, and culture across the entity to ensure the long-term growth and sustainability of the entity.



MATERIAL RISKS OF THE ENTITY

UMDA’s risk identification process has identified the following as material risk of the entity.

Risk Description	Current Control	Key Risk Mitigations
<i>Unsustainability of uMhlosinga Development Agency</i>	Business plans and action plan. Intergovernmental Relations, monthly and Quarterly Reporting. Audit Committee. Board of Directors. Service Level Agreement with Parent Municipality.	Facilitate the intergovernmental relation to align performance target and budget
<i>Reduction of capital budget by UKDM</i>	Improve investment and gain Interest	Intensify fundraising
<i>Inability in sourcing of land</i>	Continuous engagements with land owners	Enhance stakeholder’s engagements with traditional Authorities
<i>Lack of Bulk Infrastructure</i>	UMDA participates in UKDM IDP Forums	Influence government spending in bulk infrastructure on identified project areas
<i>Relationship between the Agency, uMkhanyakude and other spheres of government</i>	UMDA attends strategic meetings	Robust engagements with uMkhanyakude and family of municipalities

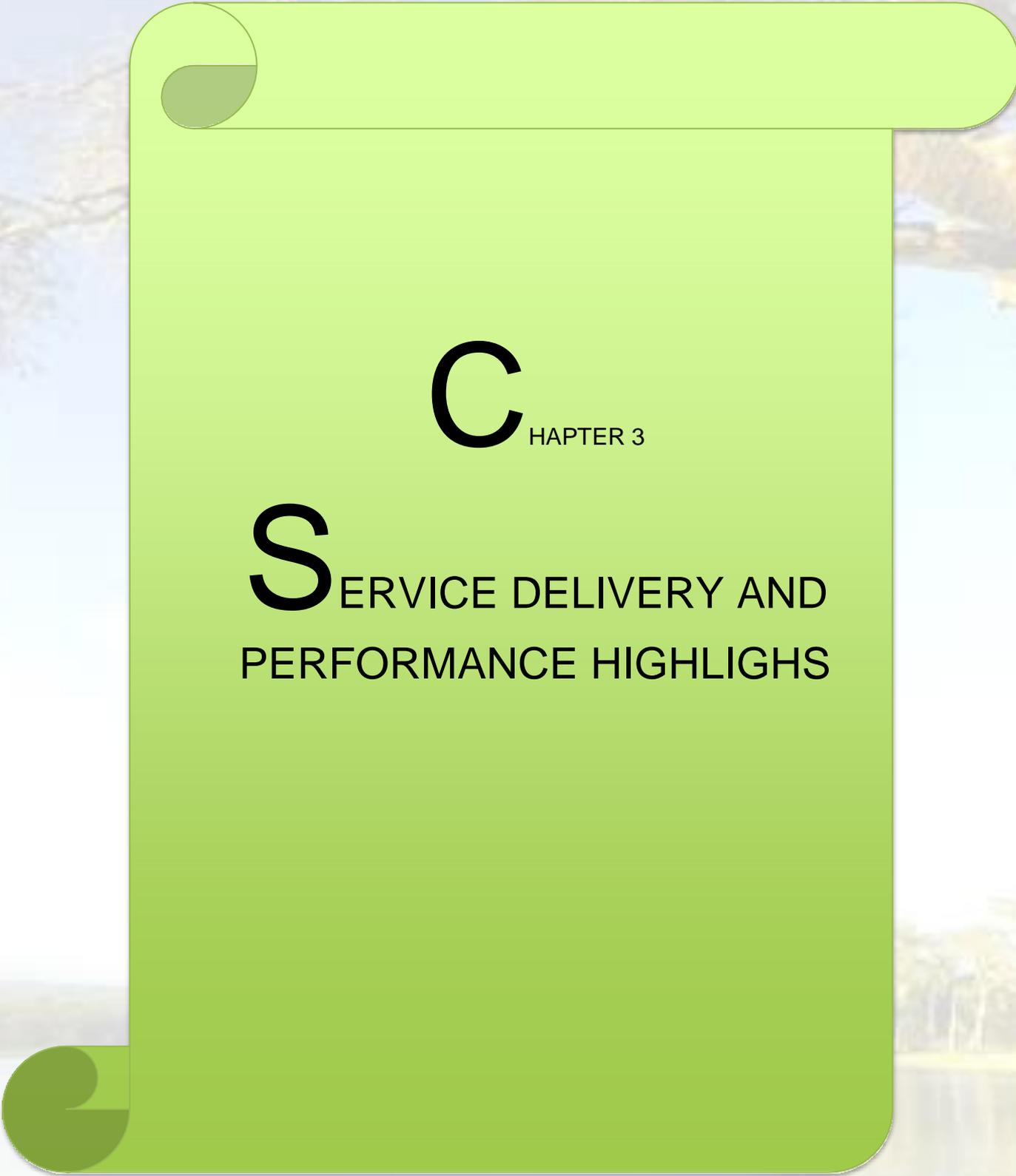
<i>Non-compliance with applicable laws and regulations</i>	Compliance Checklist, Reports, Board committee unauthorized Irregular, fruitless and wasteful Expenditure	To improve the intergovernmental relation to align performance target and budget/procurement of mSCOA
<i>loss of company asset</i>	Insurance cover and Security Alarm System	Investigate procurement of a advance security system
<i>Failure to meet BBBEE & SMME procurement targets.</i>	Closely monitor work allocated to SMME & BBBEE sub-contractors. Finalize the BBBEE & SMME audit by the 3rd quarter	Ensure that main contractors sub-contractors work to local SMME & BBBEE contractors Prescribe 30% SMME component in identified projects on tender documents
<i>Inability to trade in the next 12 months</i>	Engagement with parent municipality and self-sustaining measures	Robust engagements with uMkhanyakude and family of municipalities
<i>losing skilled employees</i>	intergovernmental meetings	Facilitate the intergovernmental relation to align performance target and budget. Advertise Posts
<i>Harm or injuries suffered by UMDA staff during working parameters.</i>	Fire extinguishers in place at office, security alarm system in place.	Obtain Workman's Compensation fund certificate. Office to Introduce hazard signs
<i>Vacant positions not funded</i>	Delegation of duties	Approval of budget that includes vacant posts
<i>Lack of professional expertise (Planning & Technical)</i>	We appointed service providers on risk bases	Submit proposal to Provincial Treasury to request assistance of crack team.
<i>Unfunded projects (Project Finance)</i>	Project managers are sourcing funding for there projects	Recruiting fundraising specialist
<i>Corporate Image</i>	Mend relationship with stakeholders	Employ a Public Relations Specialist and continuous engagements with parent Municipality

2.6 POLICIES

The UMDA has organizational policies which are to guide internal processes and adhere to principles of good governance. Every financial year the UMDA reviews all policies to ensure applicability and relevance of the policy. Whenever there is policy change, legislative amendments, increase in inflation and tariffs; the board amends the policies to ensure that they align with the country's state at the time.

Policy	Existing Policy	New Policy
Substance and Travel Policy	✓	×
Risk Management Policy	✓	×
Human Resources Management Policy	✓	×
Performance Management Systems Policy	✓	×
Petty Cash Policy	✓	×
Leave Policy	✓	×
Budget Policy	✓	×
Virement Policy	✓	×
Budget; Cash Management and Investment	✓	×
Written-Off Policy	✓	×
Finance Policy	✓	×
Fixed Asset	✓	×
Supply Chain Management Policy	✓	×
Information Technology and Security Policy	✓	×
Anti-Fraud and Corruption Strategy and Prevision Plan	✓	×

UMDA's website is: www.umda.org.za



C HAPTER 3

SERVICE DELIVERY AND
PERFORMANCE HIGHLIGHTS

SECTION A: AGRIBUSINESS DEVELOPMENT

The potential for economic development in the district is what drives UMDA to the agribusiness development space. With its strategic objective of sustainable agribusiness industry development, UMDA focused on the development of programmes that will transform the agribusiness space of the district.



The three-year contract with the Department of Education for the National School's Nutrition Programme came to an end in December 2017. Having been on the programme for three years the UMDA increased its performance for local produce for the National Schools Nutrition Project (NSNP) from 41% of last year to 61.8%

this financial year. The project provided local farmers with a stable market for their produce at a weekly bases as per the Coastal school calendar. To ensure that farmers are able to access the market and provide the required commodities, a new programme of farmer support has been established.

For the greater part of the financial year, the agribusiness section was development business plan for mainly the Fresh Produce Market and the Food Security Estate. The Food Security Estate's concept document presented numerous projects namely the Hydroponics, Beef Production, Egg Production, Boiler and Gout Production. These projects were researched and business plans developed. The agribusiness section also unpacked the potential of the ocean economy by preparing a business plan for the fish farm that is proposed to be in the UMhlabuyalinga Municipality. All business plans prepared were submitted to potential funders,

The UMDA is pleased to report that business plan for a Canning Facility in Ndumo was approved by the Industrial Development Corporation (IDC) this financial year. An agreement between the UMDA and the IDC was signed in March 2018.

Having spent time in research and preparing these business plans and submitting them for funding, the UMDA hosted an investment seminar was held on the 04th of June 2018. Potential funders were invited to discuss these business plans which the anticipation of receiving funding or technical support. The seminar was attended by sector departments and stakeholders in the agribusiness sector.

SECTION B: TOURISM PROMOTION AND DEVELOPMENT

While putting a lot of resources on lobbying for feasibility studies of **tourism nodes** in Hlabisa, Jozini and UMhlabuyalingana, the Agency continued to engage local, national and international tourism buyers (tour operators) to entice them about **Route 22** and its products at Tourism Indaba (now called Africa's Travel Indaba) from 8 – 10 May 2018 held at Durban ICC. For the first time, Route 22 participated at this show under Tourism KZN main stand.



The tourism infrastructure and product development will take longer to unveil. However, the Agency needs to make the environment conducive to complement such developments. Among those is to develop **skills** within the tourism sector. In November 2017, UMDA trained 18 Field Rangers; provided bursaries to 20 unemployed learners and 5 employed learners at tertiary level as well as enrolment of 6 learners (from TVET Colleges) on the Work Integrated Learning (WIL) Programme which started from November 2017 to April 2018. These programmes were funded by CATHSSETA. On the last quarter, UMDA secured another 4 contracts from CATHSSETA to implement Internship (07 learners); WIL (10 learners); Bursaries – TVET Colleges (10 learners)

and Bursaries – Universities (20). These will be implemented as from July 2018.

Community-owned lodges within protected areas also received attention. An assessment was conducted and report shared with potential investors. So far, National Department of Tourism, through Trade and Investment KZN (TIKZN), has committed R20m to revitalise the campsite at Bhanga Nek.

UMDA continued to be represented at all strategic platforms where tourism issues are discussed i.e. Local Tourism Forums; District Tourism Forum; Provincial Tourism Forum and Provincial Tourism and Investment Committee.

SECTION C: INFRASTRUCTURE DEVELOPMENT

Mkhuze Regional Airport

The Mkhuze Regional Airport Development has enjoyed numerous successes during the 2017/18 financial year. The Mkhuze Regional Airport, with the financial backing of the KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA), has completed the 1.8 km runway rehabilitation which its second priority project following the fencing of the aviation precinct during the 2016/17 financial year.



The support from EDTEA has also yielded to more positive results as the terminal building planning phase has commenced project engineers have been appointed and a final design concept being approved by the Mkhuze Airport City Development Steering committee. The construction of the terminal building is anticipated to commence in the upcoming financial year.



Small Town Rehabilitation

The Small Town Rehabilitation Programme which is funded by the KwaZulu Natal Department Corporative Governance and Traditional Affairs is directed at assisting in planning and beautification of small towns. In the previous financial year two of the three projects were completed and close out reports submitted to the department. The only project from this funding which was being implemented this financial year was the Construction Ndumo Market Stalls. The project is almost complete with the following:

- Construction of 68 market stalls,
- ablution block which accommodate disable traders,
- septic tank with Jojo tank, and
- a minibus/van rank with six shelters.

In March 2018, the Mayor of UMkhanyakude District Municipality, Hnr. Cllr. Mkhombo officially handed over the project to the beneficiaries. A project close-out report has been submitted to the funder.

SECTION F: ANNUAL PERFORMANCE REPORT



*"Opportunity
through Development"*

2017/18 AUDITED ANNUAL PERFORMANCE REPORT

KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and	1.1	Checklist reviewed by Audit Committee and adopted by the Board	2 Comprehensive Compliance checklist reviewed by AC and adopted by the BoD	Compliance checklist reviewed by Audit Committee and adopted by the Board by 30 June 2018.	Checklist not reviewed by the Audit and adopted by the Board at 30 June 2018.	Not Achieved	Shortage of employees led to the deviation.	To appoint a Company Secretary, whose responsibility will also include the management of the UMDA's compliance.

principals outlined in the Kind III Report	1.2	Organisational policies reviewed and adopted by Board	6 policies adopted by the BoD on 09 December 2016	6 policies reviewed by Audit Committee and adopted by the Board by 30 June 2018	0 policies reviewed by Audit Committee and adopted by the Board by 30 June 2018	Not Achieved	Audit Committee advised that policies should be reviewed by Internal Auditors in line with the audits and be reviewed should the need arise.	Policies to be reviewed as required by change in legislation, tariffs or audit requirement.
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KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.3.1	Shareholder Compact and Annual Performance Targets signed by the UMDA's Chairperson of the Board and the Parent Municipality's UKDM Mayor	Shareholder Compact not signed at 30 June 2017	Signed Shareholder Compact and 2017/18 Performance Targets by 30 June 2018	Shareholder Compact and 2017/18 Performance Targets not signed at 30 June 2018.	Not Achieved	Engagements between the Board and Council did not yield to the signing of the Shareholder Compact however, the Council did approve the transfer of the UMDA's operational grant for the execution of the 2017/18 Performance Targets.	To engage Council for signing of the Shareholder Compact and 2018/19 Performance Targets.
	1.3.2	Performance reports submitted to Parent Municipality	4 reports submitted at 30 June 2017	4 Quarterly Performance Reports submitted to UKDM by 30 June 2018	4 Quarterly Performance Reports submitted at 30 June 2018.	Achieved	None	n/a

KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.4.1	Board Committee meetings on Unauthorised, Irregular, Fruitless and Wasteful Expenditure	New target	Board Committee meetings on Unauthorised, Irregular, Fruitless and Wasteful Expenditure held during the second, third and fourth quarter of 2017/18 financial year.	Board Committee meetings on Unauthorised, Irregular, Fruitless and Wasteful Expenditure held during the second and third quarter	Partly Achieved	Term of office for the Board ended in March 2018 therefore there was no Board Committee meeting held in the fourth quarter which led to the deviation.	The new Board to establish Board Committees in the 2018/19 financial year.
	1.4.2	Quarterly Board meetings	4 Board meetings held at 30 June 2017	4 Board meetings held by 30 June 2018	4 Board meetings held at 30 June 2018	Achieved	None	n/a

KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.5	Quarterly Audit Committee meeting	3 Audit Committee meetings at 30 June 2016	4 Audit Committee meetings by 30 June 2018	4 Audit Committee meetings held at 30 June 2018	Achieved	None	n/a
	1.6	Risk Monitoring and reporting	New target	Risk management reports for first, second and third quarter submitted to quarterly Audit Committee meeting by 30 June 2018	Risk management report for second and third quarter submitted to Audit Committee at 30 June 2018	Partly Achieved	Management was advised by the UMDA's Internal Auditors to change the template and its approach to risk management. Changes were applied which resulted in deviation.	To align the Internal Audit action plan for 2018/19 audit with the number of Risk management reports required for the financial year.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To create partnerships that encourage investment into UMkhanyakude	2.1.1	Hosting of Second Annual Investment Seminar	Investment profile, seminar and committee established at 30 June 2017	Hosting of the Second Annual Investment Seminar by 30 June 2018	Hosting of the Second Annual Investment Seminar on the 04 th of June 2018	Achieved	None	n/a
	2.1.2	Submission of business plans and/or proposals for funding	New target	20 business plans and/or proposals submitted to potential funders by 30 June 2018	21 business plans and/or proposals submitted to potential funders by 30 June 2018	Exceeded	None	n/a
	2.1.3	Agreements with stakeholders for funding and/or technical support	22 engagements and 2 agreements signed with stakeholders for capital project support at 30 June 2017.	5 agreements signed with stakeholders for funding and/or technical support by .30 June 2018.	5 agreements signed with stakeholders for funding and/or technical support at 30 June 2018.	Achieved	None	n/a

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class tourism products	2.2	Training of 45 students through skills programmes, Work Integrated Learnings and bursaries	Application for accreditation and engagements for training facilities	Training of 45 students through CATHSSETA support by 30 June 2018	49 students received training and support through CATHSSETA and 13 students appointed for learnerships from Tourism Wold by 30 June 2018	Exceeded	None	n/a
To develop sustainable commercialisation of Agriculture and Agribusiness industries in UMkhanyakude	2.3.1	Sustainable supply of produce received from local farmers	45.1% on average of local produce at 30 June 2017	An average of 50% of locally produced fruits and vegetables supplied to 533 schools weekly by 31 December 2017	An average of 62.8% of local produced fruits and vegetable supplied to 533 schools at 31 December 2017	Exceeded	None	n/a

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
	2.3.2	Weekly delivery to 533 schools as per school calendar	Delivery at 491 schools on average per week as at 30 June 2017	An average of 100% weekly deliveries to schools by 31 December 2017	An average of 90.8% weekly deliveries to schools at 31 December 2017	Partly Achieved	Delivery to some schools in particularly raining weather was challenging. Whilst some weeks delivery was at 100%, but an annual average of 90.8% was obtained.	Contract between UMDA and the Department of Education has expired therefore there is no action plan required.
To develop settlements that promote urbanisation and industrialisation	2.4.1	Commencement of Runway Rehabilitation	Tender phase for the appointment of contractor initiated	Commencement of Runway Rehabilitation by 30 June 2018.	Project at Practical Completion at 30 June 2018	Exceeded	None	n/a
	2.4.2	Promotional plan for the Mkhuze Airport Non-Aviation side	New target	Mkhuze Airport Non-Aviation Precinct Promotional Plan by 30 June 2018	Mkhuze Airport Non-Aviation Precinct Promotional Plan at 30 June 2018	Achieved	None	n/a

KEY PERFORMANCE AREA no. 3

INSTITUTIONAL DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
Implement Performance Management	3.1	Performance management for all employees who are accountable to the scorecard	Project managers' performance reviews conducted at 30 June 2017	2 written performance reviews conducted in relation to annual performance during first quarter and reviews in relation to midterm conducted during the third quarter	Annual performance reviews conducted during the first quarter and Midterm performance reviews conducted during the third quarter for project managers who are accountable to the scorecard	Partly Achieved	A quorum for the evaluating committee was not reached for the evaluation of the CEO and CFO and the other employees were not applicable as per PMS policy which then led to the deviation.	A calendar for Board, AC and Evaluating committee will be set in order to achieve the target by the first quarter of the 2018/19 FY
To improve the capacity of staff for service delivery	3.2	Skills training	40% of employees trained at 30 June 2017	25% of employees trained by 30 June 2018	53.8% of employees trained at 30 June 2018	Exceeded	None	n/a

KEY PERFORMANCE AREA no. 4

FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
Sound financial planning and reporting	4.1.1	Draft annual report adopted by the Board	Draft Annual Report adopted on the 26 th of August 2016	Adoption of Draft Annual Report by 31 August 2017	Draft Annual Report adopted on the 28 th August 2017	Achieved	None	n/a
	4.1.2	Annual Report adopted by the Board	Annual Report adopted by Board on the 09 th of Dec. 2016	Annual Report adopted by Board by 31 December 2017	Adoption of Annual Report by 31 December 2017	Achieved	None	n/a
	4.2.1	Adjusted Budget approved by Board	Adjusted Budget approved by Board on the 20 th of January 2017	Adjusted Budget approved by Board by 20 January 2018	Adjusted Budget approved by Board on The 19 th of January 2018	Achieved	None	n/a
	4.2.2	Draft Budget submitted to uMkhanyakude District Municipality	Draft Budget approved by Board on the 19 th of January 2017	Draft Budget submitted to uMkhanyakude District Municipality by 1 st February 2018	Draft Budget submitted to uMkhanyakude District Municipality by The 19 th of January 2018	Achieved	None	n/a

KEY PERFORMANCE AREA no. 4

FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
	4.2.3	2018/19 Budget approved by Board	2018/19 Budget approved by Board on the 30 th of May 2017	Approval of 2018/19 Budget by 30 May 2018	2018/19 Budget not Approved	Not Achieved	Term of office for the Board ended in March 2018. During the 4 th quarter of the 2017/18 financial year the UMDA was without a Board therefore there was no Board meeting held which led to the deviation.	The new Board will be presented with the proposed budget that has been approved by Council for their approval during the first board meeting.
Sound financial planning and reporting	4.3.1	S87(11) Reports submitted to MM	S87 (11) Reports submitted to MM by 30 June 2017	12 S87(11) Reports submitted to MM by 30 June 2018	12 S87(11) Reports submitted to MM at 30 June 2018	Achieved	None	n/a
	4.3.2	Interim AFS submitted to Board	Interim AFS submitted to the Board on the 20 th of Jan. 2017	Submission of Interim AFS by 20 January 2018	Interim AFS submitted to the Board on the 19 th of Jan. 2018	Achieved	None	n/a

KEY PERFORMANCE AREA no. 4
FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Rating	Reasons for Deviation	Corrective Measures for Deviation
Sound financial planning and reporting	4.3.3	Mid-term budget and performance assessment report submitted to the Board and UMkhanyakude District Municipality	Midterm budget and performance assessment reports submitted to the Board and UKDM by 20 Jan. 2017	Submission of MFMA S88 report by 20 January 2018	MFMA S88 report submitted to the Board and UMkhanyakude District Municipality on The 19 th of January 2018	Achieved	None	n/a
	4.3.4	2016/17 AFS submitted to Auditor General	MFMA S122 statements submitted on 30 th August 2016	Submission of MFMA S122 statements by 31 August 2017	MFMA S122 statements submitted on the 31 st of August 2017	Achieved	None	n/a

Notes on Annual Performance Plan Adjustments at Midterm

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no. 1.1 Compliance Checklist				
Compliance Checklist reviewed by Audit Committee and adopted by the Board.	Compliance Checklist reviewed by Audit Committee and adopted by the Board	4 Comprehensive Compliance Checklists reviewed by AC and adopted by the Board by 30 June 2018	Compliance Checklist reviewed by the Audit Committee and adopted by the Board by 30 June 2018	- Shortage of staff resulted in the adjustment of the annual target from 4 report to 1 by year end.
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no: 1.2 Review of Organisational Policies				
Organisational policies reviewed and adopted by Board.	Organisational policies reviewed and adopted by Board.	20 policies reviewed by AC and adopted by Board by 30 June 2018	6 policies reviewed by Audit Committee and adopted by Board by 30 June 2018	- Policies to be reviewed have to through Internal Audit as per Audit Committees' recommendation. Policies for review have been set in line with internal audit scope for the financial year.

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no. 1.3.1 Board Committees				
Board Committees meetings	Board Committee meetings on Unauthorised, Irregular, Fruitless and Wasteful Expenditure	4 board committee meetings by 30 June 2018	Board committee meetings on Unauthorised, Irregular, Fruitless and Wasteful Expenditure held during the second, third and fourth quarter of the 2017/18 financial year.	- Board resolved the establishment of one committee which will sit on a quarterly bases. Adjustment to 1 committee which will meet 3 times during the 2017/18 FY
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no: 1.5.1 Internal Audit				
Quarterly Internal Audit assessment reports	None (target removed)	4 Internal Audit Assessment reports by 30 June 2018	None (target removed)	- UMDA has a functional internal audit with services including but not limited to the target.
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no: 1.5.2 Operation Clean Audit				
Accurate and Audited PoEs	None (target removed)	4 PoE reports by 30 June 2018	None (target removed)	- The target was removed on the scorecard as it was resolved that it is an internal process leading to credible reporting by the UMDA. - Reports form internal audit are received quarterly.

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To ensure compliance with legislation applicable to municipal entities and principals outlined in the King III Report.				
KPI no: 1.5.3 Risk Management				
Risk monitoring and reporting	Risk monitoring and reporting	4 reports by 30 June 2018	Risk management reports for the first, second and third quarter submitted to Audit Committee by 30 June 2018	<ul style="list-style-type: none"> - Target amended from 4 reports to 3 reports. - Target amended to meet the SMART principals
Strategic Objective: To create partnership that encourage investment to uMkhanyakude.				
KPI no. 2.1.1 Investment profile for UMkhanyakude District				
Public Investment Committee	None (target removed)	2 Investment committee meeting by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed as it an internal process leading to the Investment seminar
Strategic Objective: To create partnership that encourage investment to uMkhanyakude.				
KPI no: 2.1.2 Investment profile for UMkhanyakude District				
Private Investment Committee	None (target removed)	2 Investment committee meeting by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed as it an internal process leading to the Investment seminar
Strategic Objective: To create partnership that encourage investment to uMkhanyakude.				
KPI no: 2.1.3 Investment profile for uMkhanyakude District				
Investment Seminar	Hosting of Second Annual Investment Seminar	Annual Investment Seminar by February 2018	Hosting of the Second Annual Investment Seminar by 30 June 2018	<ul style="list-style-type: none"> - Planned indicator adjusted to meet the SMART Principals - Targeted dated adjusted as the target was no longer going to linked to the annual Umthayi Festival.

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To create partnership that encourage investment to uMkhanyakude.				
KPI no: 2.1.4 Stakeholder Relations				
Submission of business plans and/or proposals for funding	Submission of business plans and/or proposals for funding	20 business plans submitted by 30 June 2018	20 business plans and/or proposals submitted to potential funders by 30 June 2018	- Target amended to include proposals as part of the 20 requests for funding.
Strategic Objective: To create partnership that encourage investment to uMkhanyakude.				
KPI no: 2.1.5 Investment profile for UMkhanyakude District				
Agreements with stakeholders for funding and/or technical support	Agreements with stakeholders for funding and/or technical support	5 agreements by 30 June 2018	5 agreements signed with stakeholders for funding and/pr technical support by 30 June 2018	- Target amended to be more specific as to what type of agreements are required.
Strategic Objective: To develop world class Tourism products				
KPI no. 2.2.1 Hlabisa Node				
Application for funding Feasibility Study for Hlabisa Node	None (target removed)	Application by 30 June 2018	None (target removed)	- Targets removed - Targets included in 20 business plans to be submitted for funding and/or technical support
Strategic Objective: To develop world class Tourism products				
KPI no: 2.2.2 Jozini Node				
Business Plan for Jozini Node	None (target removed)	Application by 30 June 2018	None (target removed)	- duplication to KPI no. 2.1.2

Planned indicators before adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment
Strategic Objective: To develop world class Tourism products			
KPI no: 2.2.4 Umhlabuyalingana Node			
Application for funding Feasibility Study for Umhlabuyalingana Node	None (target removed)	Application by 30 June 2018	None (target removed)
Strategic Objective: To develop world class Tourism products			
KPI no: 2.2.3 Jozini Mountain Top Development			
Application for funding Feasibility Study for Jozini Mountain Top Development	None (target removed)	Application by 30 June 2018	None (target removed)
			<ul style="list-style-type: none"> - Targets removed - Targets included in 20 business plans to be submitted for funding and/or technical support duplication to KPI no. 2.1.2

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop world class Tourism products				
KPI no. 2.2.5 Revitalisation of Community Lodges				
Development of a Business Model for revitalisation	None (target removed)	Approved process plan by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed - Target included in 20 business plans to be submitted for funding and/or technical support as the project requires funding
Strategic Objective: To develop world class Tourism products				
KPI no. 2.2.6 Hotel School Development				
Launch of the school	Training of 45 students through skills programmes, Work Integrated Learning and bursaries	Launch Phase A by 30 June 2018	Training of 45 students through CATHSSETA support by 30 June 2018	<ul style="list-style-type: none"> - Target adjusted following engagements with CATHSSETA
Strategic Objective: To develop world class Tourism products				
KPI no: 2.2.7 Tourism Promotion and Marketing				
Implementation of marketing systems of Route 22	None (target removed)	Marketing of Route 22 by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed - Target included in 20 business plans to be submitted for funding and/or technical support as the project requires funding

Planned indicators before adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				<ul style="list-style-type: none"> - Target removed - Target included in 20 business plans to be submitted for funding and/or technical support as the project requires funding
KPI no: 2.3.1.1 Fresh Produce Market				
Development of operating systems	None (target removed)	Operating systems by 30 June 2018	None (target removed)	
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				
KPI no: 2.3.1.2 Food security estate				
Business Plan for Food security estate	None (target removed)	Approval of business plan by 30 June 2018	None (target removed)	
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				<ul style="list-style-type: none"> - Measurable unit changed to average percentage for the period ending in 31 December 2017.
KPI no. 2.3.3.1 Implementation of National School's Nutrition Programme				
Sustainable supply of produce received from local farmers	Sustainable supply of produce received from local farmers	60% locally produced fruits and vegetables supplied to all eligible schools weekly by 18 December 2017	An average of 50% of locally produced fruits and vegetables supplied to 533 schools weekly by 31 December 2017	
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				
KPI no. 2.3.3.1 Implementation of National School's Nutrition Programme				
Supply of fruits and vegetables to 533 schools	Weekly delivery to 533 schools as per school calendar	Delivery to all 533 schools by 18 December 2017	An average of 100% weekly deliveries to schools by 31 December 2017	
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				
KPI no. 2.3.3.1 Implementation of National School's Nutrition Programme				
Implement planting Schedules	None (target removed)	Implementation by 18 December 2018	None (target removed)	

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				
KPI no: 2.3.4 Bhabhanana Abattoir				
Operational Plan	None (target removed)	Approval by 30 June 2018	None (target removed)	
Strategic Objective: To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District				
KPI no: 2.3.5 Marula Processing				
Operational Plan	None (target removed)	Approval by 30 June 2018	None (target removed)	- Target removed - Target included in 20 business plans to be submitted for funding and/or technical support as the project requires funding
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.4.1 Town rehab and regeneration plan for rural towns				
Source funding for STR	None (target removed)	Engage funders by 30 June 2018	None (target removed)	
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.4.2 Mtubatuba interchange project				
Engagements with investors	None (target removed)	Engagement with investors by 30 June 2018	None (target removed)	

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.5.1 Industrial Parks				
Application for funding Mkhuze Industrial Park	None (target removed)	Application by 30 June 2018	None (target removed)	
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.5.2 Industrial Parks				
Application for funding Manguze Industrial Park	None (target removed)	Application by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed - No project manager to champion the project.
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.5.3 Industrial Parks				
Engagements on sites for the Industrial Parks	None (target removed)	Engagements for funding by 30 June 2018	None (target removed)	

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.6.1 Aviation upgrade				
Source funding for Terminal building	None (target removed)	Source funding by 30 June 2018	None (target removed)	<ul style="list-style-type: none"> - Target removed - Target included in 20 business plans to be submitted for funding and/or technical support as the project requires funding
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.6.2 Aviation upgrade				
Source funding for Fire and Rescuer Services	None (target removed)	Source funding by 30 June 2018	None (target removed)	
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.6.3 Aviation upgrade				
Source funding for Runway rehabilitation	Commencement of Runway Rehabilitation	Source funding by 30 June 2018	Commencement of Runway rehabilitation by 30 June 2018	<ul style="list-style-type: none"> - Funding sourced through the KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs. - Funding for planning phase approved and transferred to UMDA - Tender process initiated.

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.6.4 Non-aviation				
Promote non-aviation	Promotional plan for Mkhuze Airport Non-Aviation side	Promotional plan and activities by 30 June 2018	Mkhuze Airport Non-Aviation Precinct Promotional Plan by 30 June 2018	- Activities for promotion need funding. Since the promotion of the airport is not funded, the target was therefore adjusted accordingly.
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.6.6 Airport Operations				
Maintenance of the airport	None (target removed)	4 reports by 30 June 2018	None (target removed)	- Target is an internal process, hence it was removed.
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.7.1 Jozini Hydro				
Obtain authorisations	None (target removed)	Authorisations by 30 June 2018	None (target removed)	- Target removed as project requires funding.
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no. 2.7.2 Jozini Hydro				
Engage investors	None (target removed)	Engagements by 30 June 2018	None (target removed)	- Target removed - An implementing company to be appointed to manage the project.
Strategic Objective: To develop world class catalytic infrastructure that promotes economic development				
KPI no: 2.6.1 Waste Management Programme				
Application for funding Feasibility Study	None (target removed)	Application by 30 June 2018	None (target removed)	

Planned indicators before Adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: Implement Performance Management				
KPI no. 3.1 Employee Performance Management				
Performance management	Performance management for all employees who are accountable to the scorecard	2 written performance reviews of all employees by 30 June 2018	2 written performance reviews conducted in relation to annual performance during the first quarter and reviews in relation the midterm conducted during the third quarter	- Target adjusted to meet the SMART principal

C

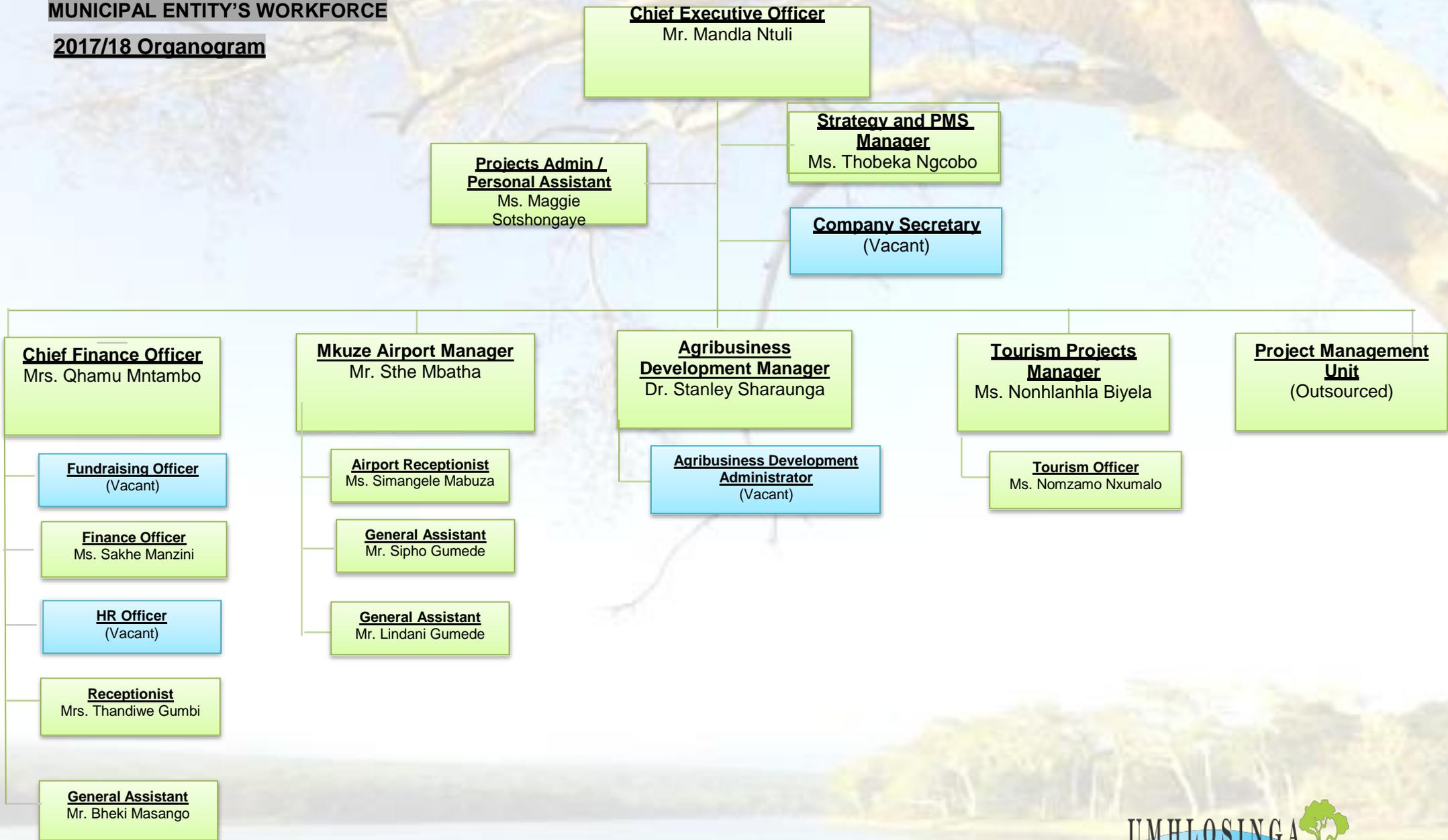
HAPTER 4

O

RGANISATIONAL
DEVELOPMENT
PERFORMANCE

SECTION A: INTRODUCTION TO THE MUNICIPAL ENTITY'S WORKFORCE

2017/18 Organogram



4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	2016/17			2017/18		
	Approved	Filled	Vacancies	Approved	Filled	Vacancies
	Posts			Posts		
Executive Managers	0	0	0	0	0	0
Senior Managers	0	0	1	0	0	0
Project Managers	0	0	0	1	0	1
Officers/Admin/Coordinators	0	0	0	1	0	1
Receptionist	0	0	0	1	0	1
General workers	0	0	0	3	3	0
Total	0	0	0	6	3	3

TURNOVER RATE

Details	Total appointment as of beginning of financial year No.	Terminations durations during the Financial Year No.	Turn-over Rate.
2016/17	3	2	2.25%
2017/18	3	1	3.5%

SECTION B: MANAGING THE MUNICIPAL ENTITY EMPLOYEE WORKFORCE

4.2 POLICIES

The table overleaf provides a summary of the HR policies:

HR Policies and Plans				
No.	Policy	Completed %	Date Reviewed	Date approved
1	Human Resources Policy	100%	28.06.16	29.06.16
2	Training and Development Policy	100%		
3	Performance Management Policy	100%		
4	Leave Policy	100%		

- ✓ The policies were approved in the previous financial year and there were no legislative, or policy changes in the country which required the policies to be amended.

4.3 EMPLOYMENT EQUITY

The organisation implements a vibrant employment equity policy. To ensure the highest standard of compliance with the employment equity act and the Board of Directors also provide regular input to the strategies and initiatives regarding EE and its implementation in the organisation.

The Employment Equity Statistics are sourced to provide progress and provide direction regarding progress in the implementation of the employment equity plan.

Employment Equity Demographics Status for 2017/18

Staff Movement

Staff Movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	-	-	-	-	-	-	-	-	0
Resignations	1	-	-	-	-	-	-	-	1
Dismissals	-	-	-	-	-	-	-	-	-
Retirement	-	-	-	-	-	-	-	-	-
Absenteeism	-	-	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	-	-
Total	1	0	0	0	0	0	0	0	1

Employment Equity Status

(Demographics) 2017/18

LEVELS	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Executive	1	-	-	-	-	-	-	-	1
Senior Managers	-	1	-	-	-	-	-	-	1
Project Managers	1	1	-	-	-	-	-	-	2
Officers/Co-coordinators	1	4	-	-	-	-	-	-	5
Receptionist	-	1	-	-	-	-	-	-	1
General workers	3	-	-	-	-	-	-	-	3
Total	6	7	-	-	-	-	-	-	13
% of Total	46%	54%	0%	0%	0%	0%	0%	0%	100%

Management Level Demographics

Levels	Total	African		Coloured		Indians		White	
		Male	Female	Male	Female	Male	Female	Male	Female
Executive	1	1	-	-	-	-	-	-	-
Management	3	1	2	-	-	-	-	-	-
Total	4	2	2	-	-	-	-	-	-
%of Total	100%	50%	50%	0	0	0	0	0	-

Staff Turnover

The UMDA has 100% Black employees, which exceeds the target of 80% provided in the Employment Equity Plan; 47% of which are female and 50% is in Senior Management.

Employee Pension Fund

The UMDA's employees have been registered as members of Bokamoso Pension Fund.

Other benefits provided to UMDA's employees are:

- Medical Aid offered by Bonitas,
- Travel allowance and
- Telephone allowance.

Performance Management and Bonus System

The performance management system (PMS) is designed to ensure that the UMDA's business strategy is translated into measurable key performance areas and indicators (KPAs and KPIs) for employees. The UMDA's performance management is guided by the principals outlined in the Framework for Managing Programme Performance Information provided by the National Treasury as published in May 2007. During the year under review the UMDA developed a Performance Management Policy which was adopted by the Board.

SECTION C: CAPACITATING THE MUNICIPAL ENTITY WORKFORCE

The UMDA continues to train employees in various methods in an effort to capacitate them and ensure that they are able to perform their respective duties. Methods which have been used to capacitate employees are:

- On-the-job training;
- Workshops;
- Trainings; and
- Formal education

The table below includes information about training and workshops attended by UMDA employees in 2017/18 financial year.

Name & surname	Position	Training title & type	Offering institution
<i>Ms NC Biyela</i>	Tourism Manager	SA Tourism Marketing workshop	Tourism KZN
<i>Mr SH Mbatha</i>	Airport Manager	AFS preparers workshop	CIGFARO
<i>Mr S Sharaunga</i>	Agribusiness Facilitator	Farmers & stakeholders' workshop	DARD & UKZ School of agriculture
<i>Mr S Sharaunga</i>	Agribusiness Facilitator	Mango processing workshop	Manguzi DARD
<i>Ms NC Biyela</i>	Tourism Manager	Discretionary grants, SMMEs & ETQA Workshop	CATHSETA

<i>Mr SH Mbatha</i>	Airport Manager	Improving aviation safety workshop	CAA
<i>Mr SH Mbatha</i>	Airport Manager	Disaster management workshop	COGTA
<i>Mr SH Mbatha</i>	Airport Manager	Bcom in supply chain management	MANCOSA
<i>Ms SD Manzini</i>	Finance Officer	BPA Honours	MANCOSA
<i>Ms N Nxumalo</i>	Tourism Officer	Bcom Marketing	MANCOSA
<i>Ms NM Sotshongaye</i>	PA to CEO	Bachelor of Commerce degree	Regent Business School
<i>Ms TVN Ngcobo</i>	PMS Officer	Post graduate Diploma in Local Economic Development	UKZN
<i>Mrs SQ Mntambo</i>	Chief Finance Officer	AFS/GRAP Workshop	CIGFARO
<i>Ms SD Manzini</i>	Finance Officer	AFS/GRAP Workshop	CIGFARO

UMDA has the overall of thirteen employees, about 52.8% of employees attended training. The comprises workshops and continuous development courses with formal institutions of Higher Education and training.

C HAPTER 5

F INANCIAL

P ERFORMANCE



*"Opportunity
through Development"*

Umhlosinga Development Agency (Proprietary) Limited
(Registration No. 2004/016608/07)
Annual Financial Statements
for the year ended 30 June 2018

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

General Information

Country of Incorporation and domicile	Republic of South Africa
Category of local authority	A municipal entity of uMkhanyakude District Municipality
Nature of business and principle activities	Local economic development to facilitate the implementation of economic catalytic projects including the promotion of investments in the district.
Board of Directors	Mr. RP Tembe (Chairperson -Term ended 31 March 2018) Mr. SL Gumbi (Deputy Chairperson -Term ended 31 March 2018) Mr. ZJ Ndwandwe (Member -Term ended 31 March 2018) Mr. S Nyawo (Member - Term ended 31 March 2018) Mr. MW Thango (Member- Term ended 31 March 2018) Mr. TM Mthethwa (Member- appointed 09 July 2018) Mr. NM Ndlovu (Member- appointed 09 July 2018) Mrs. ST Mthembu (Member- appointed 09 July 2018) Mr. RP Tembe (Reappointment- 09 July 2018) Mr. KN Ntshangase (Member- appointed 09 July 2018) Mr. SJ Mkhabela (Member- appointed 09 July 2018)
Chief Executive Officer	Mr. M Ntuli (B.Proc. Uni.KZN)
Chief Financial Officer	Mrs. SQ Mntambo (Bcom Acc, AIMFO, MFMP)
Registered office	21 Klebe Street Mkhuze KwaZulu Natal 3965
Business address	Lot 308 Ebony Crescent Mtubatuba 3935
Postal address	PO Box 367 St Lucia 3936
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Company secretary	Venns Nemeth & Hart Inc.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Index

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

Index

General information

Directors Responsibilities and Approval

Auditor General Report

Chief Executive Officer's Report

Directors Report

Company Secretary's Certification

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Statement of Comparison of Budget and Actual Amounts

Accounting Policies

Notes to the Annual Financial Statements

Umhlosinga Development Agency SOC Limited

(Registration No.
2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Directors Responsibilities and Approval

In terms of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act No 71 of 2008, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with GRAP. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the Standards of GRAP and are based on appropriate accounting policies which have been consistently applied in previous years and are supported by reasonable, prudent judgements and estimates.

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2019. In the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 73 to 116.

The annual financial statements set out on pages 79 to 116 have been prepared on the going concern basis and were approved by the Board of Directors and the Chief Executive Officer on 27 August 2018.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Directors Report

The board of directors has pleasure in presenting their report for the year ended 30 June 2018.

1 Incorporation

The company was incorporated on and received its certificate to commence business on 17 June 2004.

The company was originally incorporated under the name of Maxitrade 42 General Trading (Proprietary) Limited and changed its name on 04 July 2006 to uMhlosinga Development Agency (Proprietary) Limited. It remained dormant until 01 January 2008 when the establishment phase commenced. Upon the coming into operation of the new Companies Act 71 of 2008, section 11(3) (c) provides that the Agency's name is to contain the expression "SOC Ltd" at the end. The amendments registration were effective as at 19 April 2017.

2 Review of activities

The company acts as an agent for and on behalf of uMkhanyakude District Municipality for the purpose of soliciting and implementing economic development activities and all the business allied thereto in order to ensure the development of the uMkhanyakude District Municipality and its surrounding areas.

The net surplus of the company for the year under review as disclosed in the Statement of Financial Performance was R31 196 014.

3 Going concern concept

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

4 Share capital

Authorised

	2018	2017
--	------	------

The authorised share capital comprises of 1000 Ordinary shares of R1 each

	1 000	1 000
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Issued

The issued share capital comprises of 100 Ordinary shares of R1 each

	100	100
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5 Directorate

The board of directors are as follows:

	Date of appointment
RP Tembe	26-Mar-13
SL Gumbi	26-Mar-13
ZJ Ndwandwe	26-Mar-13
S Nyawo	26-Mar-13
MW Thango	26-Mar-13
Mr. TM Mthethwa	09-Jul-18
Mr. NM Ndlovu	09-Jul-18
Mrs. ST Mthembu	09-Jul-18
Mr. RP Tembe (Reappointed)	09-Jul-18
Mr. KN Ntshangase	09-Jul-18
Mr. SJ Mkhabela	09-Jul-18

6 Holding municipality

UMkhanyakude District Municipality is the company's parent holding municipality.

7 Auditors

In accordance with section 4 (1) (e) of the Public Audit Act No. 25 of 2004, the Auditor-General of South Africa are the auditors of the company.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Company Secretary's Certification

In terms of section 88(2)(e) of the Companies Act (2008) of South Africa, I certify that, to the best of my knowledge and belief, the Umhlosinga Development Agency has lodged with the Registrar of Companies for the financial year ended 30 June 2018 all such returns as are required in terms of the Companies Act, No. 71 of 2008, and that such returns are true, correct and up to date. I certify that for the financial year ended 30 June 2018, the Umhlosinga Development Agency has lodged with the Umkhanyakude District Municipality the financial statements in respect of the preceding financial year.

Venns Nemeth & Hart Inc.
Mr. T Brown (attorney)

27-Aug-18

Date

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Trade and other receivables from exchange transactions	3	1 776 165	7 933 061
Trade and other receivables from non-exchange transactions	4	9 293 222	5 030 158
Cash and cash equivalents	5	2 532 943	2 171 963
VAT Receivable	6	4 219 489	903 935
		17 821 819	16 039 117
Non-Current Assets			
Property plant and equipment	7	28 589 972	4 750 447
		28 589 972	4 750 447
Total Assets		46 411 791	20 789 564
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	8	7 959 882	6 496 761
Unspent conditional grants and receipts	9	1 430 820	8 419 710
Provisions	10	235 054	283 072
		9 625 756	15 199 543
Total Liabilities		9 625 756	15 199 543
Total Assets		46 411 791	20 789 564
Total Liabilities		(9 625 756)	(15 199 543)
Net Assets		36 786 036	5 590 022
Ordinary Shares	33	100	100
Accumulated surplus		36 785 936	5 589 922

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

	Notes	Ordinary Shares	Accumulated surplus / (deficit)	Total Net Assets
		R	R	R
Balance at 01 July 2016		100	2 608 475	2 608 575
Surplus for the year		-	2 936 672	2 936 672
Balance at 30 June 2017		100	5 545 150	5 545 250
Correction of an error	31		44 772	44 772
Restated balance at 30 June 2017		100	5 589 922	5 590 022
Surplus for the year		-	31 196 014	31 196 014
Balance at 30 June 2018		100	36 785 936	36 786 036

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Interest earned - external investments	11	16 536	189 805
Other income	12	84 506	197 144
Total revenue from exchange transactions		101 043	386 950
Revenue from non-exchange transactions			
Service in kind	34	153 156	146 421
Government grants & subsidies	13	47 374 369	34 428 370
Total revenue from non-exchange transactions		47 527 525	34 574 791
Total revenue		47 628 568	34 961 741
Expenditure			
Depreciation expense	7	306 295	159 867
Employee related costs	14	6 450 226	6 229 525
Directors Emoluments	15	442 902	409 770
Repairs and maintenance	16	9 491	691
Contracted services	17	7 425 743	23 083 901
Grants and subsidies paid	18	294 642	365 253
General expenses	19	1 412 738	1 691 232
Finance costs	20	90 516	84 830
Total expenditure		(16 432 553)	(32 025 068)
Operating surplus for the period before tax		31 196 014	2 936 672
Taxation		-	-
Surplus for the period		31 196 014	2 936 672

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

	Note(s)	2018 R	2017 R
			Restated
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		6 241 402	(631 221)
Interest income	11	16 536	189 805
Grants	13	37 529 061	34 428 370
		<u>43 786 999</u>	<u>33 986 954</u>
Payments			
Employee costs	14	(6 893 130)	(6 639 295)
Suppliers		(12 296 555)	(26 050 889)
Finance costs	20	(90 516)	(84 830)
		<u>(19 280 200)</u>	<u>(32 775 014)</u>
Net cash flows from operating activities	21	<u>24 506 799</u>	<u>1 211 941</u>
Cash flows from investing activities			
Payment for property plant and equipment		<u>(24 145 820)</u>	<u>(4 248 249)</u>
Net cash flows used in investing activities	7	<u>(24 145 820)</u>	<u>(4 248 249)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	5	<u>2 171 963</u>	<u>5 208 269</u>
Cash and cash equivalents at the end of the year		<u>2 532 943</u>	<u>2 171 963</u>

Umhlozinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Reference	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance							
Revenue Grants							
DOE	10 629 754	(2 826 486)		7 803 268	8 263 778	(460 510)	IS 1
COGTA	10 000 000	(10 000 000)	IS 14	-	-	-	
DC 27	9 112 040	1 985 054		11 097 094	6 834 030	4 263 064	IS 2
EDTEA		-		-	21 219 253	(21 219 253)	IS 3
CATHSETA	-	270 421		270 421	270 420	1	
Other Income							
Interest on investment	84 345	(84 345)		-	16 536	(16 536)	IS 4
Landing Fees	155 562	(89 270)		66 292	84 506	(18 214)	IS 5
Other Income	50 871	(50 871)		-	153 156	(153 156)	IS 6
	<u>30 032 572</u>	<u>(10 795 497)</u>		<u>19 237 075</u>	<u>36 841 679</u>	<u>(17 604 604)</u>	
Expenditure							
Employee related costs	7 672 301	189 722		7 482 579	6 893 129	(589 450)	IS 7
Depreciation and amortisation expense	214 000	-		214 000	306 295	92 295	IS 8
Repairs and maintenance	53 500	40 000		13 500	9 491	(4 009)	IS 9
Contracted services	8 503 804	913 075		7 590 729	7 42 743	(164 986)	IS 10
Grants and subsidies paid	10 000 000	10 000 000	IS 14	-	294 642	294 642	IS 11
General expenses	2 575 722	(1 210 600)		3 786 322	1 412 738	(2 373 584)	IS 12
Finance costs	-	-		-	90 516	90 516	IS 13

29 019 327 9 932 197

19 087 130 16 432 553 (2 654 577)

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget and Actual amount variances

Reference	Reason for variance
IS 1	The variance is due to two additional weeks by the department of education to deliver fruits and vegetables.
IS 2	Parent municipality has not met the obligation for the current year, regardless of email follow ups and meeting.
IS 3	The variance is the result of grant funded projects receive from EDTEA which was not budgeted for.
IS 4	The variance is due to investment made from grant received in the year which were not budgeted.
IS 5	The variance is due to increase on flight landings at the Mkhuze Regional Airport which were not anticipated.
IS 6	The variance is as result of service kind which was not included in the budget
IS 7	The entity did not fill the vacant position and applied cost saving measures when it comes to travel subsistence.
IS 8	The variance in depreciation is due to property plant and equipment that was purchased, specifically infrastructure project which were capitalised.
IS 9	The entity applied cost saving measures when it comes to repairs.
IS 10	The variance is due to not delivery in all schools in the district being supplied with fruits and vegetables on a weekly basis and the underspending
IS 11	The variance is for Ndumo Market stalls that was transferred to the beneficiaries
IS 12	The entity applied cost saving measures when it comes to general expense.
IS 13	The variance is due to interest on overdue account for SARS and Auditor General accounts which were not anticipated.

Approved Budget and Adjusted Budget amount variances

IS 14	The memorandum of agreement was not signed in time to confirm the grant by KwaZulu Natal Department of Cooperative Governance and Traditional Affairs with the entity therefore the recognised budget amount was reversed by the board of directors.
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Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act No. 56 of 2003 and the requirements of the Companies Act No.71 of 2008.

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions is included in note 10.

1.1.2 Useful lives of property, plant, equipment

As described in accounting policies 1.6 the agency depreciates its property, plant and equipment 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 the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Revenue recognition

Accounting policy 1.9 on Revenue from Exchange Transactions and accounting policy 1.10 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the agency.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

1.1.4 Income tax

As a registered company the agency is registered for income tax. However due to the entity being a municipal entity it is exempt from paying income tax on grant income.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.1.5 Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Nedbank Limited which yields monthly interest of 5.25% per annum.

1.2 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the agency shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following new GRAP standards have been issued but are not yet effective as the minister has not signed the effective date. Furthermore, that UMDA has not early adopted.

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Years beginning on or after	Expected impact:
> GRAP 32: Service Concession Arrangements: Grantor	01-Apr-19	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 108: Statutory Receivables	01-Apr-19	No impact is foreseeable currently.
> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 109: Accounting by Principals and Agents	01-Apr-19	No significant impact is currently expected
> GRAP 20: Related party	01-Apr-19	No significant impact is currently expected
> GRAP 110: Living and non-living resources	01-Apr-20	No significant impact is currently expected

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Financial instruments (Continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the agency have transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- > cash;
- > a contractual right to:

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Financial instruments (Continued)

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that arises from a contractual obligation to:

- > deliver cash or another financial asset to another entity; or
- > exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- > equity instruments or similar forms of unitised capital;
- > a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- > a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- > the entity designates at fair value at initial recognition; or
- > are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- > combined instruments that are designated at fair value.

Classification

The agency has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non-exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Financial instruments (Continued)

The agency has the following types of financial liabilities (classes and category) as reflected on the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The agency measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

Subsequent measurement of financial assets and financial liabilities

The agency measures all financial assets and financial liabilities after initial recognition using the following category:

- > Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The agency assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.4 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Employee benefits (Continued)

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

1.5 Provisions

Provisions are recognised when:

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

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

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

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

The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes and are expected to be used during more than one financial period.

Initial recognition

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

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

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Property, plant and equipment (Continued)

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 agency. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the agency replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Property, plant and equipment (Continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The agency does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the agency. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Item	Depreciation Method	Average useful life
<i>Fencing (Clear Vu)</i>	Straight line	<i>25 years</i>
<i>Motor Vehicle</i>	Straight line	<i>5 years</i>
<i>Office Equipment</i>	Straight line	<i>5 years</i>
<i>Furniture & Fittings</i>	Straight line	<i>5 years</i>
<i>Computer Equipment</i>	Straight line	<i>5 years</i>
<i>Plant, Machinery & Agricultural Equipment</i>	Straight line	<i>6 years</i>

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Capital work-in-progress

The work in progress on infrastructure projects are not depreciated.

1.7 Leases

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

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Leases (Continued)

1.7.1 Finance leases - The agency as a lessee

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

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

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

1.7.2 Operating leases - The agency as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

1.8 Taxation

Value added tax

The entity accounts for Value Added Tax on the invoice basis.

1.9 Revenue from exchange transactions

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

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

Measurement

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

Rendering of services

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

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

Tender deposits

Income from tender deposits are recognised as income when they are received.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Revenue from exchange transactions (Continued)

Finance income

Finance income earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an agency, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an agency either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting agency.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when :

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the agency has not met the conditions, a liability is recognised.

Measurement

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

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

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Budget information

Municipal entities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

1.12 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, agency or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

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

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

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

1.15 Commitments

Items are classified as commitments where the agency commits itself to future transactions that will result in the future outflow of resources. Project commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 27, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The agency applies GRAP 25 for related parties.

1.17 Comparative figures

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

1.18 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.19 Going concern assumption

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

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- > those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- > those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The agency will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 Offsetting

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

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
3 Trade and other receivable from exchange transactions		
Gross balances		
Department of Education	1 776 165	7 933 061
	1 776 165	7 933 061
Provision for Doubtful Debts		
Department of Education	-	-
	-	-
Net Balance		
Department of Education	1 776 165	7 933 061
	1 776 165	7 933 061
Summary of Debtors by Customer Classification		
<u>Department of Education</u>		
Current (0 – 30 days)	-	2 840 280
31 - 60 Days	-	2 334 030
61 - 90 Days		530 929
91 - 120 Days		2 227 823
121 + Days	1 776 165	-
Less: Allowance for impairment	-	-
	1 776 165	7 933 061
Outstanding amount that is older than 91 days is fully recoverable from the department based on historical evidence. The department has signed an acknowledgment of debt.		
4 Trade and other receivables from non-exchange transactions		
Gross balances		
Umkhanyakude District Municipality	9 293 222	5 030 158
	9 293 222	5 030 158
Provision for Doubtful Debts		
Umkhanyakude District Municipality	-	-
	-	-
Net Balance		
Umkhanyakude District Municipality	9 293 222	5 030 158
	9 293 222	5 030 158

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
4 Trade and other receivables from non-exchange transactions (Continued)		
Summary of Debtors by Customer Classification		
<u>Umkhanyakude District Municipality</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	4 263 064	-
61 - 90 Days	-	-
91 - 120 Days	-	-
121 + Days	5 030 158	5 030 158
Less: Allowance for impairment	-	-
	9 293 222	5 030 158

Outstanding amount that is older than 91 days is fully recoverable from the department based on historical evidence. The district has signed an acknowledgment of debt and raise this as part of accruals.

5 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	53	1 005
Cash at bank: Primary Bank account	2 525 344	2 163 794
Call investments: 36990525	7 546	7 163
	2 532 943	2 171 963

The entity has the travel card with account number 5526 7600 0018 5838

The entity has the following bank accounts: -

Bank statement balances

- Primary Bank : Richards Bay Account number 1029736839	2 525 344	2 163 794
- Investment call accounts Account number 36990525	7 546	7 163
	2 532 890	2 170 957

Cash book balances

- Primary Bank : Richards Bay Account number 1029736839	2 525 344	2 163 794
- Investment call accounts Account number 36990525	7 546	7 163
	2 532 890	2 170 957

6 VAT Receivable

VAT Receivable	4 219 489	903 935
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Notes to the Annual Financial Statements

7 Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2017 (Restated)

	Carrying Value Opening Balance	Disposal	Additions	Depreciation	Total
Vehicles	221 814	-	-	(108 372)	113 442
Capital Infrastructure Projects (work in progress)	325 790	-	4 134 897	-	4 460 687
Capital Infrastructure Projects	-	-	-	-	-
Furniture and fittings	65 472	-	36 280	(22 543)	79 209
Plant, machinery and equipment	31 378	-	9 099	(11 313)	29 164
Computer equipment	17 609	-	67 973	(17 639)	67 943
	662 063	-	4 248 249	(159 867)	4 750 445

A register containing the information required by section 96 (2) (b) of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the entity.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the entity.

The entity decided to revise the useful life of the assets due as the is indication that can stay longer than previously appropriate.

Impact of the change in accounting estimate

Revised useful life - depreciation	(159 867)
Old useful life	160 104
Increase in depreciation	237

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
8 Trade and other payables from exchange transactions		
Trade creditors	7 959 882	6 496 761
	7 959 882	6 496 761
9 Unspent conditional grants and receipts		
Ndumo Market Stalls: COGTA	-	277 310
Mkhuze Regeneration Framework	-	309 096
Mkhuze Market Stalls	-	116 280
IDC Grant	700 135	700 135
National Treasury: ILO	212 173	212 173
MTN Grant	515 703	515 703
Mkhuze Fencing and Runaway grant: EDTEA	(118 813)	6 289 012
CATHSETA Bursary	121 621	-
	1 430 820	8 419 710
10 Provision for leave		
Opening Balance	283 072	183 065
Provisions Raised	(48 018)	100 007
Closing Balance	235 054	283 072
11 Interest earned - external investments		
Interest earned by bank account	16 536	189 805
12 Other income		
Airport Fees	84 506	69 513
Tender monies	-	27 632
Donation : TIKZN	-	100 000
	84 506	197 144
13 Government grants & subsidies		
<i>Reconciliation of Movement in Grant: Other Government Grants and Subsidies</i>		
Balance unspent at beginning of year	6 069 280	10 283 437
Current year receipts	39 874 269	18 075 653
Conditions met - transferred to revenue	(47 374 369)	(34 428 370)
Conditions still to be met - remain liabilities	1 430 820	(6 069 280)

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
13 Government grants & subsidies (Continues)		
13.1 Ndumo Market Stalls: COGTA		
Balance unspent at beginning of year	277 310	2 992 861
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(277 310)</u>	<u>(2 715 551)</u>
Conditions still to be met - remain liabilities	<u>-</u>	<u>277 310</u>
<p>This funds were received from UKDM for the construction of Ndumo market stalls which was then transferred to the beneficiaries. UMDA acted as the agent on behalf of UKDM which was the principal recipient of the grant from COGTA.</p>		
13.2 Mkhuze Regeneration Framework		
Balance unspent at beginning of year	309 096	446 289
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(309 096)</u>	<u>(137 193)</u>
Conditions still to be met - remain liabilities	<u>-</u>	<u>309 096</u>
13.3 Mkhuze Market Stalls		
Balance unspent at beginning of year	116 280	400 500
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(116 280)</u>	<u>(284 220)</u>
Conditions still to be met - remain liabilities	<u>-</u>	<u>116 280</u>
13.4 IDC Grant		
Balance unspent at beginning of year	700 135	700 873
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>(738)</u>
Conditions still to be met - remain liabilities	<u>700 135</u>	<u>700 135</u>
13.5 National Treasury : ILO		
Balance unspent at beginning of year	212 173	212 173
Current year receipts	-	-
Conditions met - transferred to revenue		

	-	-
Conditions still to be met - remain liabilities	<u>212 173</u>	<u>212 173</u>
13.6 MTN Grant		
Balance unspent at beginning of year	515 703	515 703
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>515 703</u>	<u>515 703</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

		2018	2017
		R	R
13	Government grants & subsidies (Continues)		
13.7	Mkhuze Fencing and Runaway grant : EDTEA		
	Balance unspent at beginning of year	6 289 012	5 015 037
	Current year receipts	21 219 253	6 000 000
	Conditions met - transferred to revenue	<u>(27 627 078)</u>	<u>(4 726 025)</u>
	Conditions still to be met - remain liabilities	<u>(118 813)</u>	<u>6 289 012</u>
13.8	Umkhanyakude District Municipality Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts	6 834 030	5 558 077
	Conditions met - transferred to revenue	<u>(11 097 094)</u>	<u>(5 558 077)</u>
	Conditions still to be met - remain liabilities/ assets	<u>(4 263 064)</u>	<u>-</u>
13.9	National School Nutrition Programme Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts	8 263 778	23 197 434
	Conditions met - transferred to revenue	<u>(8 263 778)</u>	<u>(23 197 434)</u>
	Conditions still to be met - remain liabilities	<u>-</u>	<u>-</u>
13.10	CATHSETA Bursary Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 212 000	-
	Conditions met - transferred to revenue	<u>(1 090 379)</u>	<u>-</u>
	Conditions still to be met - remain liabilities	<u>121 621</u>	<u>-</u>
	UMDA acted as the agent on behalf of CATHSETA which was the principal recipient of the grant from National CATHSETA.		

14 Employee related costs

Salaries and Wages	2 780 005	2 759 130
Contributions for UIF, pensions and medical aids	600 707	600 707
Total	3 380 711	3 359 837

The agency contributes to an accredited medical aid scheme which is Bonitas for all employees, also the agency makes defined contributions to Bokamoso for pension funds. The agency has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Remuneration of the Chief Executive Officer

Annual Remuneration	1 486 249	1 054 100
Travel, motor car, accommodation, subsistence and other allowances	14 087	343 470
Contributions to UIF, Medical and Pension Funds	274 644	256 160
Total	1 774 980	1 653 730

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
14 Employee related costs (Continued)		
Remuneration of the Chief Finance Officer		
Annual Remuneration	1 102 537	778 425
Travel, motor car, accommodation, subsistence and other allowances	-	257 603
Contributions to UIF, Medical and Pension Funds	191 999	179 930
Total	1 294 536	1 215 958
Total Employee related costs	6 450 226	6 229 525
15 Directors Emoluments		
Mr. RP Tembe	130 886	145 906
Mr. SL Gumbi	121 855	92 233
Mr. ZJ Ndwandwe	107 514	92 382
Mr. S Nyawo	-	-
Mr. MW Thango	82 647	79 249
Total	442 902	409 770
Fees and travel costs as non-executive directors. Mr. S Nyawo has not been paid because he volunteers his time to the agency.		
16 Repairs and maintenance		
Repairs and maintenance for the year	9 491	691
	9 491	691
17 Contracted services		
Contracted services for School nutrition programme	7 425 743	23 083 901
	7 425 743	23 083 901
18 Grants and subsidies paid		
Grants and subsidies paid	294 642	365 253
	294 642	365 253

19 General expenses

Advertising	20 197	318 591
Accounting /Admin fees	18 468	24 221
External Audit fees	381 060	415 687
Bank charges	17 943	19 907
Cleaning	5 575	2 985
Conferences and delegations	8 361	31 274
Internal audit and audit committee fees	392 790	197 481
Internet fees/ Consumables	34 424	65 045
Electricity and Water	153 156	166 765
Fuel and oil	1 047	81
Insurance	32 528	31 933
Legal expenses	52 763	-
Postage	1 141	399

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
19		
General expenses (Continued)		
Printing and stationery	13 330	21 512
Professional fees	6 500	76 968
Rental of office equipment	84 109	78 353
Security costs	4 978	4 703
Telephone cost	29 135	33 784
Training	51 197	50 526
Travel and subsistence - Local	86 277	144 210
Uniforms & overalls	-	1 322
Other	17 760	5 486
	<u>1 412 738</u>	<u>1 691 232</u>
20		
Finance Costs		
Trade and other payable	<u>90 516</u>	<u>84 830</u>
	<u>90 516</u>	<u>84 830</u>
21		
Cash generated from operations		
Surplus / (deficit) for the year	31 196 014	2 936 672
Adjustments for:		
Depreciation	306 295	159 867
Movement in provision	<u>(48 018)</u>	<u>100 007</u>
Operating surplus / (deficit) before changes in working capital:	31 454 291	3 196 546
Changes in working capital:		
(Increase) / Decrease in trade and other receivables	1 893 830	(584 578)
(Increase) / Decrease in VAT receivable	(3 315 554)	(390 210)
Increase / (Decrease) in Tax Payable	-	(44 035)
Increase / (Decrease) in unspent conditional grants and receipts	<u>(6 988 890)</u>	<u>(1 863 724)</u>
Increase / Decrease in trade and other payables	<u>1 463 121</u>	<u>897 944</u>
	<u>24 506 799</u>	<u>1 211 941</u>
22		
Related parties		
Related party relationship		

Umhlosinga Development Agency is a subsidiary wholly owned by uMkhanyakude District Municipality to spearhead the local economic development within the district.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
22		
Related parties (Continued)		
Related party transactions		
<i>Income received from related parties</i>		
Grant received from Umkhanyakude District Municipality	6 834 030	5 558 077
Grant received from Department of Education (KZN)	8 263 778	22 792 858
Grant received from Department of KZN Economic Development & Tourism	21 219 253	6 000 000
	36 317 061	34 350 935
Approved budget for Umkhanyakude District Municipality	11 097 094	5 558 077
Related party balances		
<i>Balances outstanding from related parties</i>		
Transfer outstanding from Umkhanyakude District Municipality	9 293 222	5 030 158
Transfer outstanding from Department of Education (KZN)	1 776 165	7 933 061
	11 069 387	12 963 219
Directors emoluments are disclosed in note 15.		
23		
Unauthorised, Fruitless and Wasteful and Irregular expenditure		
Unauthorised expenditure	-	-
Fruitless and Wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	211 255	126 425
Fruitless and wasteful expenditure current year	90 516	84 830
Written off by Board	-	-
Fruitless and wasteful expenditure awaiting condonement	301 771	211 255
Fruitless and Wasteful expenditure relates to South African Revenue Services and Auditor General penalty, interest on overdue account due to late payments.		

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	6 312 524	6 098 888
Irregular expenditure current year	105 739	213 636
Written off by Board	-	-
Irregular expenditure awaiting condonement	<u>6 418 263</u>	<u>6 312 524</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June
2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
Irregular expenditure (Continues)		
Incident	Disciplinary steps / Criminal proceedings	Amount
Expenditure incurred as result of non-compliance with SCM (register available)	Has been investigated by the board awaiting for the parent municipality to write off.	536 476
Awards made to the persons in the service of the state	No further procurement be made to these suppliers, awaiting for the board write off.	49 841
Expenditure incurred as result of non-compliance with SCM (register available)	Waiting for the board still to investigated expenditure. Committee has been constituted.	5 831 946
		6 418 263

24 Taxation

Normal income tax	-	-
	-	-

The entity is exempted from was normal income tax.

25 Additional disclosure in terms of Municipal Finance Management Act

Audit fees (Auditor General)

Opening balance	(27 161)	34 753
Current year audit fee	381 060	415 688
Amount paid - current year	<u>(353 899)</u>	<u>(477 602)</u>
Balance unpaid (included in receivables/ payables)	<u>0</u>	<u>(27 161)</u>

The balance unpaid represents invoices for audit fees that were not sent to UMDA on timeously.

PAYE and UIF

Opening balance	(53 047)	710 547
Current year payroll deductions	1 293 794	1 188 046
Amount paid - current year	(1 121 631)	(2 218 936)
Amount paid - previous years	-	267 296
	<u>119 116</u>	<u>(53 047)</u>

The balance represents PAYE, SDL and UIF deducted from the 30 June 2018 payroll. These amounts were paid during 31 July 2018. The current expense was not paid over due to the delay on operational grant transfer from the parent municipality.

Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions	1 639 770	1 483 555
Amount paid - current year	<u>(1 695 050)</u>	<u>(1 483 555)</u>
	<u>(55 280)</u>	<u>-</u>

The balance represents payment in advance to the medical aid.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R
26		
Additional disclosure in terms of Municipal Finance Management Act (Continued)		
Value added tax		
Vat Receivable	4 219 489	903 935
VAT input receivables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.		
Non-Compliance with Chapter 11 of the Municipal Finance Management Act		
The entity has an approved supply chain management policy, all deviations are recorded on the deviation register. There was one major supplier (Venn Nemeth & Hart Incorporated) where the entity deviated as result of immediate court litigation when one tenderer had objected the procurement outcome.	388 508	-
Material Losses		
No material losses were recorded.		
27		
Project commitments		
Commitments in respect of capital expenditure		
Amounts budgeted and committed		
Airport Development	7 422 431	-
School nutrition project	-	10 629 754
	7 422 431	10 629 754
This expenditure will be financed from:		
Department of Economic Development, Tourism and Environmental Affairs	7 422 431	-
Department of Education	-	10 629 754
	7 422 431	10 629 754
Operating leases - as lessee (expense)		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Minimum lease payments due		
- within one year	53 975	48 903
- in second to fifth year inclusive	53 975	48 903
	107 949	97 806

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the agency for photocopying machine. Leases are negotiated for an average term of three years and rentals are fixed for three years.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R

28 Risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

Due to the largely non-trading nature of activities and the way in which they are financed, municipal entities are not exposed to the degree of financial risk faced by business entities. The entity's financial services function monitors and manages the financial risks relating to the operation of the entity. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The entity's liquidity risk pertains to whether funds are available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	17 821 819	16 039 117
Current Liabilities	9 625 756	15 199 543
Liquidity ratio	1,85:1	1,06 : 1

Interest rate risk

The entity limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Debtors comprise of mainly outstanding invoices from National School Nutrition Programme, outstanding transfer from parent municipality. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by demand for payment or whichever procedure is applicable in terms of board of directors' credit control and debt collection system.

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

Financial instrument

Investments	7 546	7 163
Cash and cash equivalents	2 525 397	2 164 800
Accounts receivable from exchange and non-exchange transaction	11 069 387	12 963 219

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R

29 Going concern

We draw attention to the fact that at 30 June 2018, the entity had accumulated surplus of R36 785 935 and that the entity's total assets exceed its total liabilities by R36 785 935.

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

30 Events after the reporting date

No events after the reporting date that has been recorded between the date of the financial year end and the date of submission which will have any material effect on the presentation made.

31 Correction of an error

31.1 Correction of an error: Property, plant and equipment

During the year, the entity reviewed the useful life of assets and discovered that the depreciation on some assets was overcharged by R237. Assets such as vehicle cost was incorrectly not accounted for in the accounting records amounting to R45 009.

Furthermore, the entity incorrectly capitalised one of the construction work into WIP which was supposed to be expensed, the expenditure was incurred in 2016/17 financial year amounts to R2 190 867.60 in relation to Ndumo market Stalls that was transferred to the beneficiaries this current year.

The effect of the correction of an error results is as follows:

Statement of Financial Position

Balance as previously stated in the Financial statement		6 896 305
Correction of an error		2 145 858
Restatement of property, plant and equipment	-	4 750 446
Accumulated Surplus		45 008

The effect of the correction of an error results is as follows:

Statement of Financial Performance

Balance as previously stated in the Financial statement	-	36 619 237
Correction of an error	-	(2 190 867)
Restatement of government grant revenue	-	34 428 370

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017																				
	R	R																				
31,2 Change in accounting estimate: Property, plant and equipment																						
<p>During the year, the entity reviewed the useful life of assets as they is indication that can stay longer than previously appropriate. Adjustment to these useful lives affects depreciation for the current year and future period as well. The total depreciation a net increase in surplus of R237.</p> <p>The effect of the change in estimate results is as follows:</p> <p>Net effect in the Statement of Financial Position</p> <p><i>(Decrease) Increase in assets</i></p> <table><tbody><tr><td>Property, plant and equipment - Vehicles</td><td></td><td style="text-align: right;">15 312</td></tr><tr><td>Property, plant and equipment - Furniture and fittings</td><td></td><td style="text-align: right;">6 195</td></tr><tr><td>Property, plant and equipment - Plant, machinery and equipment</td><td></td><td style="text-align: right;">(24 716)</td></tr><tr><td>Property, plant and equipment - Computer equipment</td><td></td><td style="text-align: right;">2 973</td></tr><tr><td colspan="3"><i>Increase in net assets</i></td></tr><tr><td>Accumulated Surplus</td><td></td><td style="text-align: right;">(237)</td></tr></tbody></table>			Property, plant and equipment - Vehicles		15 312	Property, plant and equipment - Furniture and fittings		6 195	Property, plant and equipment - Plant, machinery and equipment		(24 716)	Property, plant and equipment - Computer equipment		2 973	<i>Increase in net assets</i>			Accumulated Surplus		(237)		
Property, plant and equipment - Vehicles		15 312																				
Property, plant and equipment - Furniture and fittings		6 195																				
Property, plant and equipment - Plant, machinery and equipment		(24 716)																				
Property, plant and equipment - Computer equipment		2 973																				
<i>Increase in net assets</i>																						
Accumulated Surplus		(237)																				
32 Income Tax paid / (Refund)	-	-																				
	-	-																				
33 Share capital / contributed capital																						
Authorised																						
1000 Ordinary shares of R1 each	1 000	1 000																				
Issued																						
100 Ordinary shares R1 each	100	100																				
34 Service in Kind																						
34.1 Rental Income (Service in Kind)	153 156	146 421																				

The entity receives service in-kind from the parent municipality. UMkhanyakude district municipality has provided Umhlosinga Development Agency with the free use of land and building Water consumption are also being paid by the parent municipality but considered to insignificant as amount paid to date is R6 416.75 for 2017/18 and R6 134.56 for 2016/17 respectively.

Electricity consumption also being paid by the parent municipality but has been considered as insignificant; UMDA use electricity for light and connection to our computer equipment. Umhlosinga development agency has a free use of land and building belonging to UMkhanyakude district municipality, further to this; water and electricity used by the entity is being paid for by UMkhanyakude district municipality, these are effectively classified as service in kind in terms of GRAP 23. The fair value of free use for land and buildings has been estimated and recognised in terms of GRAP 23. Free use of water and electricity is not considered by the municipality to be significant to the operations of the entity and is therefore not recognised.

34.2 Property Plant and Equipment (Service in Kind)

The asset's useful lives have been reviewed at the reporting date and our expectations from the previous estimates have not changed. The parent municipality has provided PPE to the carrying value of R 6 296.30 to be used by the entity.

C

HAPTER 6

AUDITOR GENERAL FINDINGS

Auditor-General of South Africa

Umhloosinga Development Agency

Audit report 2017/18 FY

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Umhlosinga Development Agency SOC Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Umhlosinga Development Agency SOC Limited set out on pages 73 to 116, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and 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, the financial statements present fairly, in all material respects, the financial position of the Umhlosinga Development Agency SOC Limited 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 Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. 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.
4. I am independent of the municipal entity 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other matter

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

Unaudited disclosure notes

7. In terms of section 125(2)(e) of the MFMA, the entity 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 on it.

Responsibilities of the accounting officer for the financial statements

8. 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 Division of Revenue Act(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.

9. In preparing the financial statements, the accounting officer is responsible for assessing the Umhlozinga Development Agency SOC Limited'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 municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. 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.
14. 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 priorities presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
Development priority: KPA 2 – Local Economic Development	45 - 47

15. 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.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. The annual performance report on pages 41 - 64 includes information on the achievement of planned targets for the year and explanations for under/over-achievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. 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 municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

21. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R90 516, as disclosed in note 23 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest raised on late payments to SARS amounting to R89 885.

Other information

22. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

23. 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.

24. 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 priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

25. If, based on the work we have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

26. 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 on it.
27. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
28. Compliance with laws and regulations was not effectively monitored throughout the financial year. In this regard, the accounting authority did not ensure that the policies and procedures were appropriately implemented to support the achievement of compliance with legislative requirements.
29. Management did not adequately and regularly review the financial statements against supporting evidence to ensure that the information complied with legislation in all respects.

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 municipal entity’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 municipal entity’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 municipal entity’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 municipal entity to cease continuing 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.

Section B: Action Plan to Address Audit Queries



Paragraph No.	Findings	Reasons	Actions Required	Responsible official	Due Date	Status as at 07 December 2018
<u>Report on the audit of compliance with legislation:</u>						
<u>Compliance with laws and regulations</u>						
<u>Expenditure management:</u>						
24	Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R90 516, as disclosed in note 23 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest raised on late payments to SARS amounting to R89 885.	This is due to late payments to auditor general and SARS who then charged interest. The district municipality does not transfer operational grant on time.	<ul style="list-style-type: none"> -The entity will continues implementing internal controls on receiving invoices (Suppliers has been informed that invoices should be submitted only to the designated email address and to the reception) -The entity will continue aligned its spending to cash flow to avoid the delays on creditors payments. -Quarterly report on wasteful expenditure will be submitted to the board. 	Acting Chief Executive Officer S. Sharaunga	30-Jun-19	We have done submission to SARS to request penalties to be waived. Our submission is based on that their system was not working in the past 3 months to upload the returns.

Internal control:

28	Compliance with laws and regulations was not effectively monitored throughout the financial year. In this regard, the accounting authority did not ensure that the policies and procedures were appropriately implemented to support the achievement of compliance with legislative requirements	-The noncompliance with laws and regulations relate to fruitless and wasteful expenditure incurred by the entity.	'-The Compliance checklist will be submitted to the board for review on quarterly basis. -Appointment of Company secretary is crucial.	Acting Chief Executive Officer S. Sharaunga	30-Jun-19	-Start the process of appointing the company secretary
29	Management did not adequately and regularly review the financial statements against supporting evidence to ensure that the information complied with legislation in all respects.	-The noncompliance with laws and regulations relate to fruitless and wasteful expenditure incurred by the entity.	'-The Compliance checklist will be submitted to the board for review on quarterly basis. -Appointment of Company secretary is crucial.	Acting Chief Executive Officer S. Sharaunga	30-Jun-19	_Currently the finance Officer has been trained by the CFO to prepare financial statements on monthly basis.

2018/07/12

UMhlosinga Development Agency

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Vision:

To be the preferred partner providing cutting edge investment solutions to economic development in uMkhanyakude.

***“Opportunity
through Development”***

The Mission statement:

To coordinate, plan and manage the implementation of a locally-driven program to fast-track the development of the local economy of the District of uMkhanyakude.