

# UMTSHEZI MUNICIPALITY



## ANNUAL REPORT

2008/2009

**UMTSHEZI MUNICIPALITY**



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## UMTSHEZI MUNICIPALITY



# MAYOR'S FOREWORD

There is a fantastic energy at Umtshezi Municipality as I write this foreword. We have just obtained an unqualified report which is a milestone and a tremendous achievement - we are working even harder to attain the same. Our eagle eye is on speedy service delivery for the majority of the people who mandated my party to lead this Municipality at large, comprising of Estcourt, Weenen, Wembezi and the surrounding areas under our jurisdiction.

To mention a few projects that were successful and have touched and changed the lives of our people was the construction of roads where there was no access before - Ntabamnyama gravel road, Nhlawe, Ezibomvini and many more. Electrification is on-going and solar systems are being provided to remote rural areas as an alternative energy supply. Our town had dilapidated roads which we have managed to repair and which are now far safer for road users.

Lambert Park sports facility is being refurbished and is sporting a brand new look, which includes Combo Courts for all codes. The playgrounds are also under construction.

We have all these reasons to be proud, which comes through the co-operation and extra efforts from all Councilors, the Municipal Manager, Chief Financial Officer, Ratepayers Association, business stakeholders and others.

Thank you.

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**HIS WORSHIP THE MAYOR**  
**CLLR M.L. SHELEMBE**

## UMTSHEZI MUNICIPALITY



# OVERVIEW OF THE MUNICIPALITY

## COMPOSITION OF COUNCIL

<b>MAYOR:</b>	Councillor ML Shelembe
<b>DEPUTY MAYOR:</b>	Councillor MJ Ntshaba
<b>SPEAKER:</b>	Councillor BA Dlamini

## MEMBERS OF THE EXECUTIVE COMMITTEE AND COUNCIL

Cllr S Bandu	Cllr BA Dlamini
Cllr RP Gericke	Cllr MP Khanyile
Cllr SJ Magesa	Cllr SN Mchunu
Cllr LE Mhlongo	Cllr SC Mlele
Cllr NV Mtiya	Cllr PL Mvelase
Cllr MJ Ntshaba	Cllr ML Shelembe
Cllr PJ Sokhela	Cllr DM Vahed

## UMTSHEZI MUNICIPALITY MANAGEMENT

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## UMTSHEZI MUNICIPALITY



Municipal Manager  
Director: Finance  
Director: Corporate Services  
Director: Planning, Economic & Community Services  
Director: Technical Services  
Snr Manager: Civil

Patricia Nonhlanhla Njoko  
Nadine Thomas  
Vincent Bhekisisa Mbatha  
Elphas Dladla  
Vacant  
Delani Khumalo

### **MEMBERS OF THE PORTFOLIO COMMITTEES**

#### **Infrastructure, Housing & Town Planning Committee**

BA Dlamini - Chairperson  
ML Shelembe  
RP Gericke

#### **IDP, Finance, Local Economic Development & Tourism Committee**

ML Shelembe - Chairperson  
MJ Ntshaba  
BA Dlamini  
RP Gericke

#### **Sports, Gender & Vulnerable Groups Committee**

SN Mchunu - Chairperson  
MP Khanyile  
SC Mlele

#### **Human Resources, Transformation and Safety/Security Committee**

MJ Ntshaba - Chairperson  
BA Dlamini  
LE Mhlongo  
PL Mvelase

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## UMTSHEZI MUNICIPALITY



# OVERVIEW OF THE MUNICIPALITY

## Location



Umtshezi Municipality comprises parts of the Magisterial Districts of Weenen and Estcourt, the informal settlements of Cornfields, Thembalihle, Mimosadale, and numerous settlements around Weenen. It is located approximately 165 km northwest of Durban and 400 km southeast of Johannesburg. The National Road N3 also traverses the Municipality on its western portion linking these two major cities i.e. Durban and Johannesburg. Umtshezi covers 2 129.82 square kilometres and has a population of approximately 70 000, with 9 500 households. It boasts well-established industrial, commercial and residential areas as well as rich agricultural farmlands.

## UMTSHEZI MUNICIPALITY



It is the largest commercial centre in the Midlands region, and an important service centre for nearby Mooi River, Winterton, Bergville, Colenso and Weenen. The area has a rich history and a range of cultures. The urban areas originally developed as stopover points for ox wagons. Weenen is a small agricultural town that is starting to emerge as a tourist destination.

### **THE PEOPLE**

The majority of the people are concentrated in urban areas and in farming areas but there are a few patches of high-density settlements within informal areas. The population is very young, with the majority of people (65%) being under the age of 29 years. There are fewer people under 5 years old and in the 20 - 49 year group, in proportion to other age groups. This is assumed to be as a result of poverty, pandemic and endemic diseases.

There are 43 schools in the area but the majority of these require basic services and upgrading. It is estimated that a total of 120 schools are required in the area. The majority of people live in formal urban dwellings. People in the rural areas are extremely poor and require financial and technical support.

Health services are presently undergoing revitalisation. The present policy is to improve primary health care to relieve the burden on hospitals. There are 23 primary health care clinics within the district.

There is an under-provision of police stations and post offices in Umtshezi. Police stations are located in Estcourt, Wembezi and Weenen.

There is still a back log in service provision in the rural areas, which is currently being addressed.

## **UMTSHEZI MUNICIPALITY**



### **POPULATION**

Estcourt previously comprised of a population of approximately 3 407 whites, 710 coloureds, 5 432 asians and 1 296 blacks as per the census taken in 1991. The latest population estimation as of 2008 is 68314 persons are residing in Umtshezi municipality. The population of nearby Wembezi is approximately 25 000. It is estimated that the area immediately surrounding Estcourt/Wembezi is home to approximately a quarter million people, mostly living in the rural environment.

There are also other black homelands in the vicinity of Estcourt from which the town draws a great deal of its labour.

### **UMTSHEZI ECONOMIC ANALYSIS**

The economic analysis undertaken in the Status Quo report indicates that the poverty and unemployment rates in Umtshezi have increased, with employment opportunities not being created quickly enough for the number of people entering the labour force. The Development Bank (2005) has clearly indicated that employment (a job or an income generating activity) is the best protection against poverty. This means that any strategy must protect and build formal employment and assist the poor and second economy participants to access opportunities.

The balance between the two approaches and the use of available resources is also important.

## UMTSHEZI MUNICIPALITY



### FORMAL SECTOR

The economy experienced a negative growth rate until 1999 – 2000, and even since then has exhibited a fluctuating growth rate in spite of the national positive growth. In terms of sectors the area has had mixed success. The three most positive private sectors remain agriculture, manufacturing and trade. These are also the three most important sectors historically. The three sectors differ in their forecast in terms of potential growth, challenges, and the future of employment demand.

The manufacturing and agri-processing sectors remain important, but have experienced a decline. The Estcourt area has been a key centre for the processing of agricultural products (60% of manufacturing was previously in food processing) – mostly meat and dairy products. There are obvious important backward and forward linkages between agriculture and food processing which can be exploited. The manufacturing sector was well established in the past but has experienced a steady decline with a number of large firms closing down. The decline was partly a result of the national slow down in the sector, but also as a result of industries moving to larger centres. The remaining industries are exhibiting growth as the sector as been growing in terms of GDP/GVA, but not in employment. The upturn in manufacturing will not necessarily lead to industries coming back.

The agricultural sector is well established and indicates a level of stability in terms of employment. There are two key challenges in the sector. The first is that there is a dependency on traditional crops and products with very little innovation or value addition. The second is that the sector appears to be struggling with the possible impacts of land reform. There have been some positive signs as the Estcourt Farmers Association has been investigating the local solution developed at Besters near Ladysmith. At the same

## UMTSHEZI MUNICIPALITY



time there is also the area proposed for the Gongolo Game Reserve which has been unable to develop a common vision.

The decline in manufacturing employment is notable and a cause for concern. The decline is probably associated with the closure of some firms, the sensitive nature of the sector to broader trends (foreign exchange, cost of raw material, transport etc) and an increase in mechanization. The sector has been growing in terms of GDP/GVA, but not in terms of employment. The increase in employment in community services is largely linked to the establishment of the wall to wall local government and the expansion of the public sector. This trend will tend to slow as new government structures have been established. The stability in employment in the agricultural sector is positive as this sector is a large employer and has experienced a general down turn in employment at a national level. The construction sector should be showing an improved growth in employment, as should trade. There may have been additional capacity in these sectors which meant growth could take place without additional employment. Additional capacity may also have been taken on as 'casuals' without permanent employment being created. Finance has remained stable, although the sector is growing.

### **INFORMAL SECTOR**

The most disturbing trend is that unemployment and poverty levels will continue to increase unless a new approach is developed. This is despite a growing economy (see Table 1 below). The point is that the economy will not create as many formal sector opportunities as there are job seekers. Future opportunities need to be generated in more creative ways.

## UMTSHEZI MUNICIPALITY



<b>Unemployment Rate: 1996 and 2004</b>			
	Male	Female	Total
1996	43.6%	57.5%	50.0%
2004	53.1%	73.7%	62.7%

The statistics generated in the status quo assessment indicates the total number of people involved in the informal sector as follows:

	Manufacturing	Construction	Trade	Transport	Finance	Community Services	Total Information
Estcourt	388	434	1,493	84	82	537	3,019
Weenen	11	0	215	0	0	70	296
Total	398	434	1,708	84	82	607	3,315

This is probably an under assessment. It does not clearly identify the number of small businesses as some of the people counted above will in fact be employees in the sector. Trade obviously dominates the informal sector, with community services following. (A community service in this context refers to service providers such as telephone kiosks.) It is unlikely that the second economy will disappear; it is a more realistic approach to manage and support the people who are involved in the second economy. The LED strategy must investigate ways in which the second economy or informal sector can be developed and supported.

### **Economy**

Umtshezi Municipality is an Agricultural driven town, it has large farming activities and

## UMTSHEZI MUNICIPALITY



industries - Livestock Industries, i.e. eskort bacon factory, processed food factory, which occupies the ideal spot for any manufacturing industry.

It is adjacent to the N3 national highway, and lies on the Johannesburg-Durban electrified main railway line, facilitating the transportation of goods to and from the town. Umtshezi has a highly efficient, reliable and cost effective electrical infrastructure, which supplies its large industries with all the power they need to run their plants. An abundance of water, from the Bushman's River, which flows into the nearby Wagendrift Dam, ensures that the industrialists are suitably served in terms of their water requirements. In addition, water tariffs remain extremely favourable.

Estcourt is well known for some of its industries such as the Eskort Bacon Factory, producing sausages and other meat products known throughout many parts of the world; Nestle (the largest factory of its kind in the Southern Hemisphere); Masonite producing hardboard, softboard and related timber products; glassware; nylon goods; maize products and textiles.

### **Local Economic Initiatives include:**

- Establish Local Producers' Centre Showroom.
- Develop market establishment programme including informal market along R74 and close to N3
- Undertake feasibility of establishing Local Development Fund
- Establish incentives to attract investment opportunities
- Support Midlands Investment Initiative
- Establish 'Taxi City' in Estcourt
- Establish Commercial Fish Farming Private Sector

## UMTSHEZI MUNICIPALITY



- Build linkages with regional and national farmer and agricultural groupings
- Establish entertainment programmes incorporating rural villages
- Support development of Bushman's River Experience

### **Tourism**

The area has many areas of scenic beauty. There are mountainous areas, mainly in the north, and numerous river valleys, such as the Uthukela River along the northern boundary, and the Bushman's River, which traverses the centre of the municipal area. The Bushman's River is well suited to development for eco-adventure tourism as there are numerous settlement nodes in close proximity to the river. The potential for development is heightened by the fact that the water is of a very high quality and the river is ideal for canoeing and river-rafting.

The scenic 980 ha Wagendrift Nature Reserve surrounds the Wagendrift Dam and is situated just off the main N3 highway near Estcourt. Boating and fishing are the primary guest activities around the dam, and a relaxed three kilometre self-guided trail winds along the Bushman's River providing an opportunity to observe the wildlife and bird life of the reserve

Weenen was established in 1838 on the banks of the Bushman's River and named (The Place of Weeping) in memory of Zulu-massacred Voortrekkers. Weenen is today a fascinating mix of history and eco/cultural-tourism. To name a few well known tourists attractions:

- Weenen Biosphere ( Weenen Game Reserve)
- Giants Castle

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### **CHAMBER OF COMMERCE**

A strong Chamber with active members can make a big difference to the quality of life of all inhabitants of a town because the Chamber can serve as a focal point for all businesses to concentrate their creative energies in finding and implementing solutions to the problems they are experiencing. Together, as a team, the members can make a difference.

Estcourt/Wembezi is fortunate to have an involved, dynamic team of business men and women at the Chamber of Commerce table. In the past few years they have been instrumental in launching the local tourism office and also the local Community Policing Forum. The CPF has done a great deal in combatting crime in Estcourt and Wembezi.

#### **Chamber of Commerce and Council Interaction**

The town has an active Chamber of Commerce and Industry and the Mayor of Umtshezi, His Worship Cllr Shelembe, is working hard with the Estcourt Chamber to promote business here. A business forum between the Estcourt Chamber of Commerce and Industry and Council has been formed with the two bodies working together for the betterment of Umtshezi.

### **INFRASTRUCTURE**

#### **Transport**

Umtshezi occupies the ideal spot for any manufacturing industry. It is adjacent to the N3 national highway, and lies on the Johannesburg-Durban electrified main railway line, facilitating the transportation of goods to and from the town. Umtshezi has a highly efficient, reliable and cost effective electrical infrastructure, which supplies its large

## UMTSHEZI MUNICIPALITY



industries with all the power they need to run their plants. An abundance of water, from the Bushman's River, which flows into the nearby Wagendrift Dam, ensures that the industrialists are suitably served in terms of their water requirements. In addition, water tariffs remain extremely favourable. A vast labour resource in the area ensures that labour needs are amply met. Estcourt's industrial area is well situated in relation to the labour sources of the town. A well-maintained aerodrome services Estcourt for any executive who needs to fly in to town. The possible expansion of the industrial area has been suitably planned for and there is much land available in the Broomcliffe area to accommodate this. The recent acquisition of yet another large industry for Estcourt, the Karbotek Carbon Plant, has shown that outside industrialists have had enough faith in Umtshezi to invest in our area.

The larger established industries are:

- Nestle(SA)(Proprietary)Limited
- Eskort Bacon
- Masonite(Africa)Limited
- SASKO
- Narrowtex
- Glamosa Glass
- Clover(SA)
- Karbotek



## UMTSHEZI MUNICIPALITY



# EXECUTIVE SUMMARY

The uMtshezi Municipality is a medium capacity local municipality situated in the Uthukela District. Its geographical location and demographics are as described above.

## VISION, MISSION AND PRINCIPLES AND VALUES

### OUR VISION

**“By 2020, Umtshezi Local Municipality will be the champion of a sustainable Development and Safe Environment”**

### OUR MISSION

**The Umtshezi Municipality in partnership with other sectors / stakeholders are committed to:**

- **Providing and enabling an economic and social development environment**
- **Striving to provide housing with bulk infrastructure**
- **Establishing and maintaining community networks that promote healthy engagement between the Municipality and its stakeholders**
- **Developing Umtshezi in a way that does not compromise future generations**
- **Work co-operatively with other spheres of government and the private sector.**
- **Continuously provide service in an equitable manner taking into account Batho Pele Principles**

## UMTSHEZI MUNICIPALITY



### **VALUES AND PRINCIPLES OF THE MUNICIPALITY:**

- Develop neutral local government
- Clear administration
- Transparency
- Community Development
- Public Participation
- Human Rights
- Accountability
- Due processes followed – legislation
- Sustainability
- Co-operative government
- Service Delivery

The Municipality is also governed by legislative mandates as follows:

#### **LEGISLATIVE MANDATES**

- **Constitution of the Republic of South Africa – Chapter 7**
- **Municipal Structures Act**
- **Municipal Systems Act**
- **Municipal Finance Management Act**
- **Local Government Municipal Planning and Performance Management Regulations**
- **Batho Pele White Paper on the Transformation of Service Delivery**
- **White Paper on Local Government**

As is seen above, the Municipality has a clear vision and mission statement and abides by the legislative mandates that are bestowed on all spheres of government. Our main aim is service delivery and the chapters below describe in detail the achievements that the Municipality has made and also highlight the backlogs that exist and possible solutions.

## **UMTSHEZI MUNICIPALITY**



The highlights of the performance of the Municipality are described in Chapter 2 with detailed reports in Chapters 3 and 5. The annual financial statements are in Chapter 4.

As is mentioned in the Mayor's foreword, the Municipality had many challenges through the year, braved many storms and turbulent seas, but still overcame the obstacles, stronger, and ready to face the other challenges that lie head.



# CHAPTER TWO

## HIGHLIGHTS

### ANNUAL PERFORMANCE ASSESSMENT REPORT- ORGANIZATIONAL

#### **1. INTRODUCTION AND OVERVIEW**

In terms of the Municipal Systems Act (as amended), municipalities are required to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act.

Attached herewith is the detailed Annual Performance Assessment for the organization. Although our Performance Management system was introduced for the first time during the period under review, the Umtshezi Municipality complied with the Legislative Framework in the finalisation of our Performance Management System.

#### **2. PURPOSE OF A PERFORMANCE MANAGEMENT SYSTEM**

The Department of Provincial and Local Government (Department of co-operative Governance) defines PMS as “a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels, with a set of tools and techniques to regularly plan, continuously monitor and periodically measure and review performance of the organisation (municipality) in terms of indicators and targets for efficiency, effectiveness and impact.”

A PMS is also intended to assist the Council to improve service delivery by channelling its resources to meet performance targets and in doing so, ensure that the municipality achieves its strategic objectives as contained in its IDP.

A PMS should fulfil the following objectives:

- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signs
- Facilitate decision making

## UMTSHEZI MUNICIPALITY



### **3. BACKGROUND TO PERFORMANCE MANAGEMENT IN UMTSHEZI**

The legislative requirement for the development of PMS includes the Constitution, The Municipal Systems Act, the Municipal Finance Management Act, Municipal Planning and Performance Management regulations, and the Batho Pele Principles. However, the main regulatory mechanism for Performance Management System is Chapter 6 of the Municipal Systems act, (Act 32 of 2000) and the related Municipal Performance Management Regulations and Municipal Finance Management Act.

The MSA requires that all Municipalities:

- Develop a Performance Management System
- Set target and monitor and review performance based on indicators linked to their IDP;
- Prepare an annual Performance Report on the performance of a municipality forming part of it's Annual Report as required in terms of the MFMA
- Incorporate and report on a set of general/national indicators prescribed by the Minister responsible for local government
- Conduct on a continuous basis, an internal audit of all performance measures
- Have their annual performance report audited by the Auditor general
- Involve the community in setting indicators, targets and reviewing of municipal performances.

The Municipal Planning and Performance Management Regulations further details the requirements of a PMS.

## UMTSHEZI MUNICIPALITY



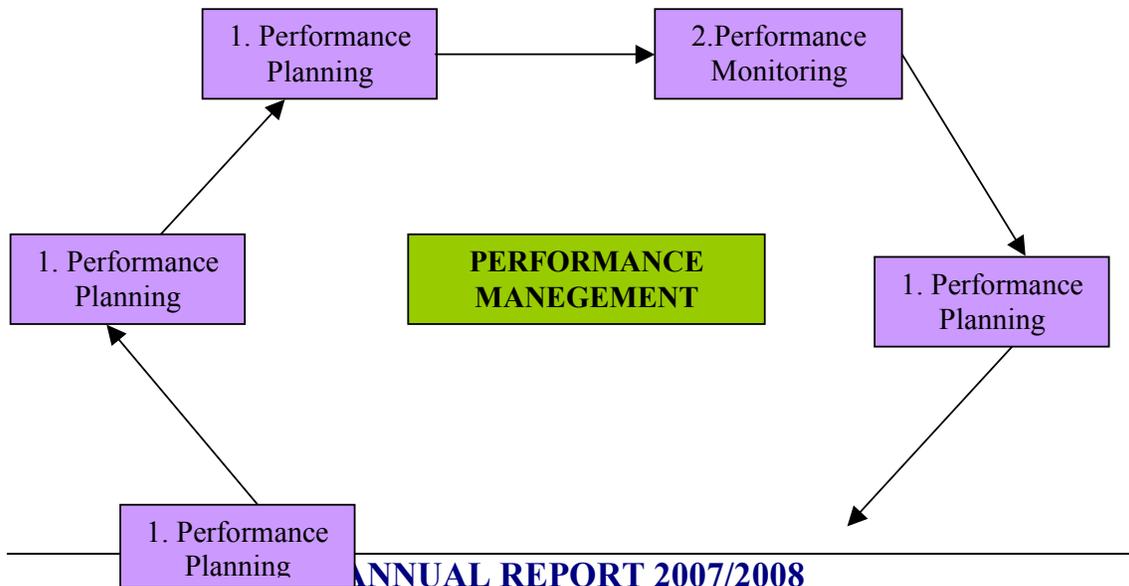
### 4. LEGISLATIVE REQUIREMENTS AND COMPLIANCE BY UMTSHEZI MUNICIPALITY DURING

2008/09

#### 4.1 DEVELOPMENT OF A PERFORMANCE MANAGEMENT FRAMEWORK

In compliance with the Municipal Systems Act (Act 32,2000) as well as the Municipal, Planning and Performance Regulations, 2001, and in consultation with the community and community stakeholders a Performance Management Framework was developed, by a service provider appointed by council. The Performance Management Framework together with the SDBIP, Organisational Scorecard, Performance plans, and Performance agreements of all section 57 employees was approved by Council on 29 September 2009. The Framework describes how the municipality's performance cycle in respect of planning, monitoring, measurement, review, reporting and improvement will be conducted. It also specifies the institutional arrangements for the management of PMS, and includes the roles and responsibilities of the respective role-players.

The following illustrates the PMS cycle as specified in the approved Framework:



## UMTSHEZI MUNICIPALITY



### **4.2 IDP, PMS INTEGRATION THROUGH SDBIPs**

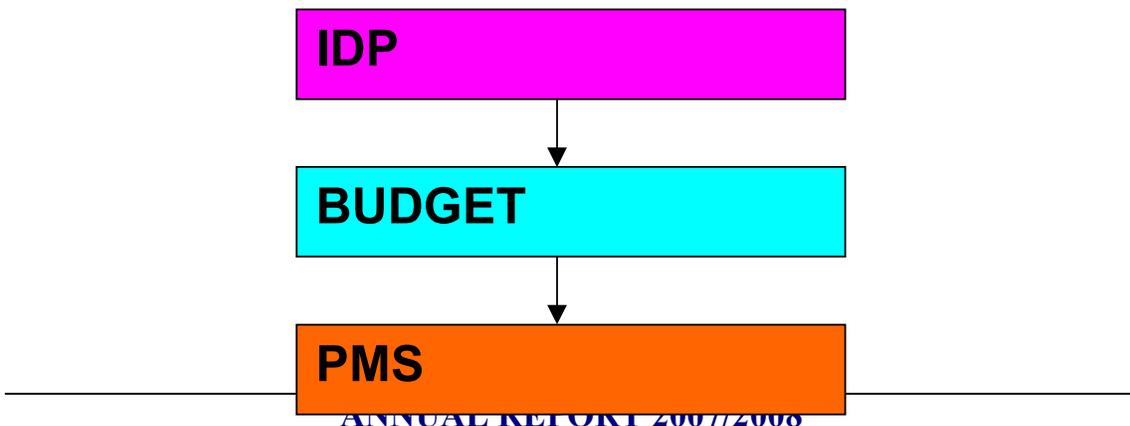
During the 2008/2009 IDP Review and Budget process an attempt was made to align the IDP with the budget to comply with the both MFMA and MSA.

As a strategic level, the IDP Priorities were aligned to the national Key Performance Areas and the PGDS of KZN.

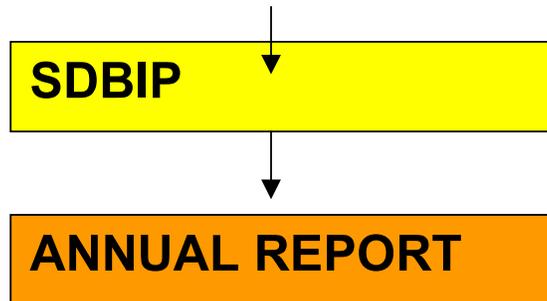
Organisational objectives in terms of the IDP, was incorporated into the Organisational PMS by developing applicable indicators for measuring of performance and then setting of targets (within the available resources as specified in the Budget for the 2008/2009 Financial Year). All of this was consolidated into an Organisational Score – card in line with the NKPA Model as specified in the Framework mentioned above to allow for measuring and reporting of performance at an Organisational/Strategic level.

**The following Figure illustrates the link between the IDP, Budget and PMS.**

**Figure 2: IDP, PMS & SDBIP link**



## UMTSHEZI MUNICIPALITY



### **4.3 MONITORING AND EVALUTION AND REVIEW**

At the end of every quarter Directorates are expected to submit to the Office of the IDP Manager their completed Organisational Scorecard and SDBIPs for further submission to Internal Audit. Internal Audit thereafter submits to the External Audit Committee, which in turn reviews the PMS and submits recommendations thereon to the EXCO.

This process is intended to allow the municipality to monitor, evaluate and review its performance based on the National and its own IDP key performance areas.

This process will become fully effective in the 09/10 Financial Year.

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

#### **Table 1: PMS Reporting requirements**

## UMTSHEZI 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 Score card	Quarterly	Executive Committee	This PMS framework (see section 7.5.1 above)
4. SDBIP mi-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 chapter 12 of the MFMA

### 5. CONCLUSION

In the absence of Performance Management Personnel the IDP/LED Manager assisted the municipal Manager to comply with the Legislative Framework. This has been a learning experience for the Umtshezi Municipality due to the fact that this was our first attempt in implementing the Performance Management Systems.

## **UMTSHEZI MUNICIPALITY**



The Municipality intends building on lessons learnt from this experience and exercises. Additional financial and human resources need to be allocated for the successful implementation and monitoring of the PMS 2009/2010.



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2008/2009		REASONS FOR PERFORMANCE STATUS
				ANNUAL	ACTUAL	
1. Transformation and institutional development	IDP	Time taken to review and adopt the IDP	To prepare credible IDP	Review and adopt the IDP by 30 June	Finalised 31 May 2009	
2. Transformation and institutional development	IDP	Number of sector departments	To strengthen the intergovernmental system so as to adhere to IGR Framework Legislation	2 meeting by 30 May	Completed 24 March 2009, 20 January 2009	
3. Transformation and institutional development	Institutional Development	Number of structures established/functional in compliance with the legislation	To improve working relations with local key stakeholders	3 structures established and functional by 30 June	Completed LED Forum IDP Representative Forum	
4. Transformation and institutional development	IDP		To align the departmental structure to the IDP	Annual report submitted by 30 June	completed	
5. Transformation and institutional development		Number of vacant posts filled after the approval of vacant posts	To revise the Municipal Organogram	Number of posts filled by 30 May	Revise and approved by council June 08, 24 new posts	Some posts frozen, financial constraints



<b>6.Improved Service Delivery and Infrastructure Development</b>	Waste Management	Tonnes of solid waste removed	To provide a solid Waste removal system	8000 tonnes per annum	8000	Security staff did not keep accurate records
<b>7.Improved Service Delivery and Infrastructure Development</b>	Access to land and Housing	Approved SDF by Council	To facilitate sustainable human settlement development	Adopted SDF document by 30 May	SDF developed and finalised	Awaiting to workshop councillors
<b>8.Sustainable Local Economic Development</b>	Building a sustainable economy	Number of economic initiatives implemented	To create an enabling environment to economic growth sectors and engage potential investors	6 initiatives	BR & E, NDPG, marketing Estcourt, Malls in Weenzebezi, Weenen and town, stakeholder meetings	
<b>9.Sustainable Local Economic Development</b>	Building a sustainable economy	Number of co-operatives supported	To promote, coordinate and manage economic growth	20 functional co operatives	Established 20 in partnership with Department of Economic Development	
<b>10.Sustainable Local Economic Development</b>	Building a sustainable economy	Approved LED strategy by Council	To promote, coordinate and manage economic growth	Review and adopt the LED strategy by 30 June	Reviewed by LED Forum	
<b>11.Sustainable Local Economic Development</b>	Tourism	Approved Tourism Plan	To create an enabling environment to economic growth sectors and	Adopted tourism Plan by 30 May	Terms of reference completed	Financial constraints



			engage potential investors						
<b>12.Sustainable Local Economic Development</b>	Land Use Management	Number of projects identified in nodes	To develop nodes and activity corridors	Implementation of the 3 anchor projects	Nil	Process stalled due to vacuum created by resignation of Director			
<b>13.Good Governance and Public Transformation</b>	Governance	Community satisfaction survey conducted	To ensure and improve public participation in the municipal process	Survey indicating average % satisfaction by 30 May	Satisfaction survey not done	Financial constraints, Human Resources			
<b>14.Social development</b>	Poverty	Approved HIV/AIDS strategy	To minimise the prevalence of epidemic and pandemic diseases	Adopted HIV/AIDS strategy by 30 May	Adopted				
<b>15.Service Delivery</b>	Disaster Management	Approved disaster management plan	Create a safer town and surroundings where all citizens enjoy a better quality of life	Adopted disaster management plan by 30 May	Has been developed	Awaiting to be workshopped to councillors			
<b>16.Service Delivery</b>	Recreational	%access to recreational facilities	To improve access to recreational facilities	80%	Complete – Wembezi, Weenen and Lambert Park sports grounds				
<b>17.Service Delivery</b>	Community Service	Number of cemeteries developed and maintained	Develop an effective spatial development framework	3 complying cemeteries	2 completed	1 –busy with geo tech study			



<b>18. Transformation and institutional development</b>	Council Support	Number of effective training programmes conducted	To provide capacity development for Councillors, Ward Committees and Officials	2	2	
<b>19. Transformation and institutional development</b>	Legal Services	% Compliance with all relevant legislation as amended from time to time	To ensure compliance with all relevant legislation as amended from time to time	By-laws to be finalised by 31 March 09	Finalised	To be submitted for council approval
<b>20. Transformation and institutional development</b>		Skills audit conducted	To improve the capacity building in the work place	8 sessions conducted	2 sessions concluded	Financial constraints
<b>21. Transformation and institutional development</b>		Number of approved Human Resources Policies	To develop and improve Human resources policies	20	9	Lack of internal capacity and financial constraints
<b>22. Transformation and institutional development</b>	Information Technology		To develop an IT Policy that will guide the usage of municipal computers and laptops	IT Policy adopted by 31 December 08	Policy developed and awaiting adoption	IT technician not aware that it was awaiting adoption
<b>23. Transformation and institutional development</b>	Inter-governmental relations	Number of IGR Forum meetings attended	To strengthen the intergovernmental system so as to adhere to IGR Framework	4	4	



<b>24.Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure	Developed and approved Hall usage policy	To provide mechanism for municipal Halls utilization	Policy adopted by 31 December 08	Adopted	
<b>25.Improved Service Delivery and Infrastructure Development</b>		Number of community areas visited	To ensure objectives associated with educating and increasing awareness in communities are accomplished	4	4 – mayoral imbizo's	
<b>26.Municipal Financial Viability and Management</b>	Traffic	Progress made by revising payment methods	To ensure better fine collection by improving payments methods to be more user friendly	New payment method adopted and functioned by 31 Dec 08	NATIS system functional	
<b>27.Good Governance and Public participation</b>	Community Participation and Development	Progress made by revising the community strategy	To ensure and improve public participation in the municipal processes	Communication strategy adopted by the 31 Dec 08	Completed	
<b>28.Good Governance and Public participation</b>	Community Participation and Development	Implementation of communication strategy	To ensure and improve public participation in the municipal processes	Communication strategy implemented by 30 June 09	Adopted and operational	
<b>29.Good Governance and Public participation</b>	Community Participation and Development	Progress made with the Community satisfaction survey	To conduct a community satisfaction survey	Community satisfaction survey concluded by 31 March 09	Nil	Financial constraints and capacity



<b>30. Good Governance and Public participation</b>	Community Participation and Development	Number of meeting held by Ward Committees	To ensure Ward Committee reports are submitted to Council		Nil	Established and workshoped late due to unforeseen circumstances
<b>31. Good Governance and public participation</b>	Compliance, clean and sound administration		To develop and review the existing policies and bylaws	2009/03/01	Policies reviewed and by-laws developed	
<b>32. Good Governance and Public Participation</b>	Compliance, clean and sound administration		To report timely and accurately	2009/03/31	Achieved	
<b>33. Good Governance and Public Participation</b>	Compliance, clean and sound administration		To implement an effective Supply Chain Management System		SMC policies in place, appointed an SMC manager	
<b>34. Good Governance and Public participation</b>	Community Participation and Development	Number of meetings held with the district and other local municipalities	To improve the relationships between the District and Local Municipalities	4	4 – IDP support LED Forum Mayoral Forum	
<b>35. Social Development</b>	Community Participation and Development	Community members are illiterate	To create an environment that allows training and development of the community	6	Nil	Financial constraints
<b>36. Social Development</b>	Safety and Security	Number of attended consultative CPF Forum meetings	To create a safer town and surroundings where all citizens enjoy a better quality of life	4	1	Meetings did not sit



<b>37.Social Development</b>	Safety and Security	Monitoring frequency of Scholar patrols and pedestrian – vehicle accidents	To ensure safety of pedestrians and school crossings for children	2%	Done on a weekly basis – Wembezi, Estcourt, Weenen
<b>38.Social Development</b>	Safety and Security	6 monthly maintenance plan of road signs and markings approved	Road signs and markings	6 Monthly	Never done
<b>39.Social Development</b>	Safety and Security	Joint planed safety operations	To comply to national and provincial operational planning and Arrive Alive	4	3
<b>40.Municipal Financial Viability and Management</b>	Revenue	Reduce debt by 50%	To reduce debt over 120 days	50%	10%
<b>41.Municipal Financial Viability and Management</b>	Revenue	No of days adopted after budget approval	To monitor progress made with adoption of SDBIP	28 days from passing of budget	SDBIP prepared and approved by council
<b>42. Municipal Financial Viability and Management</b>	Sound Financial Management		To complete and submit accurate annual financial statements timely	2009/08/31	Achieved
<b>43. Municipal Financial Viability and Management</b>	Sound Financial Management		To complete a quality budget timely	31/03/2009	Achieved



<b>44. Municipal Financial Viability and Management</b>	Sound Financial Management	To complete a quality budget timely	30/06/2009	Achieved	
<b>45. Municipal Financial Viability and Management</b>	Sound Financial Management	To have an effective auditing Function	4	2 audit committee meetings held	
<b>46. Municipal Financial Viability and Management</b>	Sound Financial Management	To have an effective auditing Function	75%	Update report of corrective measures finalised	
<b>47. Municipal Financial Viability and Management</b>	Sound Financial Management	To develop a financial plan	2009/06/30	None	
<b>48. Municipal Financial Viability and Management</b>	Sound Financial Management	To increase the cost coverage ratio	12		
<b>49. Municipal Financial Viability and Management</b>	Sound Financial Management	To increase the debt coverage ratio	4		
<b>50. Municipal Financial Viability and Management</b>	Sound Financial Management	To provide sufficient cash resources	96%	95%	



<b>51. Municipal Financial Viability and Management</b>	Sound Financial Management		To keep a minimum cash balance to cover average monthly expenditure	60	30	
<b>52. Municipal Financial Viability and Management</b>	Sound Financial Management		To complete and submit accurate annual financial statements timely	Less than 8 matters of concern	External Audit in Progress	
<b>53. Municipal Financial Viability and Management</b>	Sound Financial Management		To complete and submit accurate annual financial statements timely	Unqualified	External Audit in Progress	
<b>54. Municipal Financial Viability and Management</b>	Sound Financial Management	Number of valid queries received in relation to the number of accounts issued	To produce accurate statements	0.50%	Assumed 0.25%	
<b>55. Municipal Financial Viability and Management</b>	MFMA regulations	Financial reporting and auditing performed	To improve financial viability and sound financial management as per MFMA	100%	100%	
<b>56. Municipal Financial Viability and Management</b>	Expenditure	Strengthened institutional capacity for municipality to spend	To ensure spending as per MTREF	100%		



	Revenue	% reduction in debt	To improve financial viability and sound financial management as per MFMA	25%	10%	
<b>57. Municipal Financial Viability and Management</b>	Revenue/Expenditure	% Achievement of targets set	Ensure compliance with s71 MFMA	100%	100%	finished
<b>59. Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure	Number of Kms of roads constructed	To provide access roads in rural areas	609km km	3.9	
<b>60. Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure	KMS of roads maintained	To maintain existing roads in Estcourt, Weenen, Wembezi	10km	7km	Breakdown of machinery and plant
<b>61. Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure	300 units	To provide low cost housing	300	300 done	
<b>62. Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure	Kms of drains and stormwater pipes	Cleaning of drains and storm water pipes	51.2km	51.2km	



<b>63.Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure (Electricity supply)	Number of households electrified	To achieve universal access to electricity supply	300	56	
<b>64.Improved Service Delivery and Infrastructure Development</b>	Access to physical infrastructure, (electricity supply Infrastructure Maintenance)	% of electrical equipment maintained annually	To maintain existing electrical infrastructure	20% of all electrical equipment should be maintained annually	5%	
<b>65.</b>	Access to Physical Infrastructure (reliable Electricity Supply)	% Electricity Supply availability	Ensure continuous Electricity supply to customers	Achieve 95% Electricity Supply availability	95%	



**The highlights of the Electricity Department for 2008/2009 are as follows:**

**Electricity Connections:**

Umtshezi Municipality within its licensed area of supply does not have electrification backlogs. However, there is a rolling backlog where the houses are being built and are then connected as soon as the grant is given by DME.

However, there are backlogs within the Eskom Area of supply. Currently the not yet electrified households are estimated at 2000. They are all within the Eskom area of supply. Eskom has put a plan to electrify these households within the next three years, however, some have unresolved land ownership issues. The Municipality has made a decision to initiate the planning of the Rensburg Drift Area electrification under risk whilst the land issues are being resolved. This will streamline the process so that as soon as the land issues are resolved the electrification can immediately begin. Currently the Municipality is connecting the Indigent Households and applying its indigent policy to provide free basic services. A total of 90 Indigent connections were done in the Umtshezi area of supply.

In Wembezi A Section a total number of 300 new connections were carried out with the Project Funded by DME. (See table below)

<b>2008/2009 ELECTRIFICATION PROJECT</b>	<b>NUMBER OF HOUSE CONNECTIONS</b>
Electrification Grant R 1,200,000	300 completed
Actual Expenditure R 1,179,873.87	

A total of 67 new domestic connections were carried out, with 35 conversions from the Credit Meter System to the Prepaid Meter Systems in residential areas. Nine (9) upgrades to electricity supply were carried out during 2008/2009 for commercial areas.

**ELECTRICITY DEPARTMENT BUDGET**

The Electricity budget has been prepared in line with 5 year Electricity Master Plan and IDP. The Budget is monitored and controlled on several different levels with very strict



**procedures for expenditure where only authorized persons may approve expenditure after consultation with immediate supervisor. This department has implemented the Supply Chain Management Controls in terms of Councils Policy.**

The Municipality received R1.2 million for Wembezi electrification i.e. 300 connections from DME. The Municipality finished the connections at the end of June 2009. The Project was delayed due to the slow erection of Low Income Housing scheme which had serious challenges.

<b>ELECTRICITY DEPARTMENT BUDGET 2008/2009</b>	
<b>BUDGET</b>	<b>R 2,350,000</b>
<b>ACTUAL EXPENDITURE</b>	<b>R 645,849.51</b>

## **TRAFFIC DEPARTMENT**

- R 189,800.00 - Traffic fines for 2008/09
- R663,917.00 – Learners Licences
- R2.243,620.00 – Drivers Licences
- R99,612.00 – COF Tests
- R332,456.00 – COR Tests
- R5,105.00 – Instructors Permits
- R14,182.00 – Vehicle suspensions
- R830,608.10 – MLB Council
- R8.880,106.57 – MLB Province
- R13.259,406.67 – Total

### Prosecutions;

- 278 – Speeding
- 169 – Moving
- 115 – Parking
- 29 – Defects
- 592 – Others
- 480 - Warrants
- 1183 – Total

### Accidents;

- 14 – Fatal
- 40 – Serious injuries



- 152 – Minor injuries
- 206 – Total

Our road painting program is on track.

The start to our building extensions is eagerly awaited so as to deliver better service to the public.



HOUSING DEPARTMENT

PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS	OUTSTANDING	COMMENTS
Wembezi A Section Housing Development	Construction of 515 Low Income units.	300 Units completed in the 2008 / 2009 financial year	15 Units	It is anticipated that the project will be completed at the end of October 2009.
Brewitt park housing development	Construction of 27 Middle Income Units.	<p><b>Sales:</b> Sold – 8 New Applications - 6</p> <p><b>Construction of Civil Services</b> – Complete Wall Plate – 3 Completed – 4 Handed over – 4 <b>Awaiting electricity reticulation.</b></p> <p><b>The electricity reticulation</b> will be completed by end of October 2009.</p>	20 units outstanding	<p><b>Sales:</b> There has been a delay in sales since banks were not prepared to finance unless there were Engineering Services. Since the Civil Services have been completed, the project has a positive image to banking institutions.</p> <p><b>Building:</b> The project was delayed due to incapacity and internal disputes within the Xavier Construction.</p>



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS	OUTSTANDING	COMMENTS
Housing Sector Plan	Development of a 5 year Housing Strategy or Policy for the municipality.	It was completed in October 2008.	N/a	The Housing Sector Plan is the municipality's legal document for Housing Service Delivery for 5 years.
Rensbergdrift Housing Development	Construction of 1000 Low Income units.	The project boundary is being reviewed and a notice has been placed in the Estcourt and Midlands news calling for owners to offer their land to Council for this development.  It is anticipated that the Implementing Agent will submit the application for Conditional Approval by 30 November 2009 to the Department of Human Settlements.	N/a	None



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS	OUTSTANDING ISSUES	COMMENTS
Engodini, Msobotsheni, Kwanhliwe, Owl and Elephant, Papkuisfontein Phase Two and Thembalihle Housing Developments	Construction of Low Income Units in the areas as per backlog study.	N/a	N/a	These projects are being revived for submission to the Department of KZN Human Settlement.
Chievely, Rama and Frere	Construction of Low Income Units in the areas as per backlog study.	N/a	N/a	These projects are being revived for submission to the Department of KZN Human Settlement.
Spatial development framework	Formulation of the municipality's Spatial Development Framework that will form a chapter in the IDP.	Final Draft completed and it will be presented to council in September 2009.	Final Adoption by Council.	To be completed at the end of November 2009.
Land use management system	Formulation of the municipality's Urban and Rural Land Use Management System that will manage all land use within the municipal boundaries.	Final Draft completed and it will be presented to council in September 2009.	Final Adoption by Council.	To be completed at the end of November 2009.
Land disposal policy		Final Draft completed and it will be presented to council in September 2009.	Final Adoption by Council.	To be completed at the end of November 2009.



Wembezi Urban Renewal	<table border="1"> <tr> <td><b>CURRENT SITUATION ANALYSIS</b></td> <td>Completed</td> </tr> <tr> <td>Contextual Analysis</td> <td>Completed</td> </tr> <tr> <td>Review of development trends and patterns</td> <td>Completed</td> </tr> <tr> <td>Stakeholder identification, assessment</td> <td>Completed</td> </tr> <tr> <td>Assessment of the need for technical assistance</td> <td>Completed</td> </tr> <tr> <td>Current Situation Report</td> <td>Completed</td> </tr> <tr> <td><b>DETAILED INVESTIGATIONS</b></td> <td>Completed</td> </tr> <tr> <td>Retail &amp; economic study</td> <td>Completed</td> </tr> <tr> <td>Infrastructure Assessment Study</td> <td>Completed</td> </tr> <tr> <td>Identification of Spatial Opportunities and Constraints</td> <td>Completed</td> </tr> <tr> <td>Social Impact Assessment</td> <td>Completed</td> </tr> <tr> <td>Strategic Environmental Assessment</td> <td>Completed</td> </tr> <tr> <td>Land Legal Analysis</td> <td>Completed</td> </tr> <tr> <td><b>PREPARATION OF AN URBAN DEVELOPMENT FRAMEWORK</b></td> <td></td> </tr> <tr> <td>Strategic urban Development Framework</td> <td>Completed</td> </tr> <tr> <td>Precinct Development Plans</td> <td>In process</td> </tr> <tr> <td>Precinct Urban Design Framework</td> <td>In process</td> </tr> <tr> <td>Precinct Landscape Plans</td> <td>In process</td> </tr> <tr> <td>Implementation Plan</td> <td>In process</td> </tr> <tr> <td><b>REFINEMENT OF THE PROJECT CONCEPT</b></td> <td></td> </tr> <tr> <td>Assessment of the initial concept into NDPG requirements</td> <td>In process</td> </tr> <tr> <td>Preparation of schedule of NDPG compliant Projects</td> <td>In process</td> </tr> <tr> <td>Pre-appraisal of each project</td> <td>In process</td> </tr> <tr> <td>Preparation of a reviewed project concept</td> <td>In process</td> </tr> <tr> <td><b>TOWNSHIP REGENERATION STRATEGY ANNUAL REPORT 2008/2009</b></td> <td></td> </tr> <tr> <td>Detailed Project Description</td> <td>In process</td> </tr> <tr> <td>Preliminary Architectural Drawings</td> <td>In process</td> </tr> <tr> <td>Project Feasibility studies</td> <td>In process</td> </tr> <tr> <td>Preparation of Project Business Plans</td> <td>In process</td> </tr> </table>	<b>CURRENT SITUATION ANALYSIS</b>	Completed	Contextual Analysis	Completed	Review of development trends and patterns	Completed	Stakeholder identification, assessment	Completed	Assessment of the need for technical assistance	Completed	Current Situation Report	Completed	<b>DETAILED INVESTIGATIONS</b>	Completed	Retail & economic study	Completed	Infrastructure Assessment Study	Completed	Identification of Spatial Opportunities and Constraints	Completed	Social Impact Assessment	Completed	Strategic Environmental Assessment	Completed	Land Legal Analysis	Completed	<b>PREPARATION OF AN URBAN DEVELOPMENT FRAMEWORK</b>		Strategic urban Development Framework	Completed	Precinct Development Plans	In process	Precinct Urban Design Framework	In process	Precinct Landscape Plans	In process	Implementation Plan	In process	<b>REFINEMENT OF THE PROJECT CONCEPT</b>		Assessment of the initial concept into NDPG requirements	In process	Preparation of schedule of NDPG compliant Projects	In process	Pre-appraisal of each project	In process	Preparation of a reviewed project concept	In process	<b>TOWNSHIP REGENERATION STRATEGY ANNUAL REPORT 2008/2009</b>		Detailed Project Description	In process	Preliminary Architectural Drawings	In process	Project Feasibility studies	In process	Preparation of Project Business Plans	In process	<p><b>Comments:</b></p> <p>The municipality has appointed an external Project Manager for the Management of the project from Technical Assistance, Capital Grant and completion of the project. The Project Manager's report is attached.</p> <p><b>Capital Grant:</b></p> <p>The municipality has included its share of R 4000 000 for this financial year as requested by the Department of transport for the construction of the Wembezi Interchange by SANRAL in partnership with Umtshezi Municipality and Department of Transport. The remaining Capital Grant funding will be utilized for the mini projects as contained in the final submission of the Business Plan to National Treasury.</p>
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PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS	OUTSTANDING	COMMENTS
Kwezi hostel upgrade	Construction of 1000 Family Units.	<p>Town Planning: The LEFTEA Application has been submitted to Department of Local Government Traditional Affairs for approval.</p> <p>Civil Engineering: The processing of the access road to Kwezi Hostel has been completed and the contractor is currently proceeding the processing of the Intersection near the Hospital entrance.</p> <p>Construction of the units will commence after approval of the LEFTEA Application, which is estimated in February 2010.</p>	1000	None
<b>ANNUAL REPORT 2008/2009</b>				



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS	OUTSTANDING / CHALLENGES	COMMENTS
Wembezi Interchange	The development consists of the construction of <b>four vehicular ramps</b> that would link the N3 and MR29 and vice versa. (8m width).	<p><b>Civil Engineering:</b> Stedone Civils V.J Deebo Construction cc. has been appointed for the construction of the Wembezi Interchange. The Civil Engineering work has commenced and the project will be completed by the end of May 2010 due to the World Cup.</p> <p><b>Labour Issues:</b> The labour desk has been established formed by Two ward Councillors (Ward 1 and 2), Two municipal officials, a representative from Department of Labour, Community Liaison officer (external) and a representative from South African National Roads Agency. It must be noted that 100 general labourers have been selected in Wembezi and around the Estcourt Town. Off the total number, 40 community members have assumed duty.</p>	No Challenges	None



## CHAPTER THREE

# CORPORATE SERVICES

Hereunder are the key departmental performance areas and their respective activity reports as at 30 June 2009:

Protection Services;

Libraries and Heritage Services;

Human Resources, Legal Services, Administration, and Community T & D;

Community Participation;

Municipal Properties;

Registry;

Information Technology; and

Council Support

### A. PROTECTION SERVICES

#### 1. VEHICLE TESTING STATION

This section experienced tremendous problems almost for the better half of the financial year more especially with regard to staff management and the daily activities, which were not properly executed since the absenteeism and suspension of a senior manager from testing drivers as he was caught violating the procedures. Added to the problems was the attitude of some of the employees who could not recognise his management and authority. Complaints were coming from all corners with regard to the manner in which traffic employees treated public members to the extent that some were even assaulted. Driving schools came to the municipality to voice their dissatisfaction with the service they were receiving at the section. This led to a number of bilateral meetings with individual and general staff in order to resolve the impasse, which we amicably resolved. Some of the problems were exacerbated by the resignation of Mr Barnard who was a workaholic in the motor vehicle examining unit.



Positions were not filled timeously as processes were stalled by interference though we were finally able to complete the process only to be disappointed by the candidate for turning offers down.

## 2. DRIVERS AND LEARNERS TESTS

The backlog is being experienced because of resignations and the delay in appointing staff to vacant positions created by the promotion, dismissal and resignations. Furthermore, even people from all over Kwa-Zulu Natal use the centre.

## 3. NOTICES ISSUED

The problem of notices being withdrawn in court has been largely alleviated. The problem is the non-payment of notices. The introduction of the AARTO Act will hopefully eliminate this practice. On a more positive note the number of notices has also increased.

## 4. E-NATIS

The system did not give any problems during this period.

## 5. ROAD PAINTING

Road painting was not done at the beginning of the financial year due to the continuing transport problems but from January 2009 though at a snails pace because we only have two staff members and they have to do road painting on Sundays when traffic is quiet around town. The following projects were completed:

Lorne Street, Harding Street, and Alexandra Street

## 6. STAFF TRAINING

Mr Siyabonga Masondo (Examiner of drivers Grade F)

Ms Zandile Khanyeza (Traffic officers diploma)

Mr F.A. Kubheka (Examiner of drivers Grade F)



## 7. MOTOR VEHICLES

The control of the usage of the official motor vehicles has become an issue. This issue must be addressed in the near future to obtain clarity on vehicle usage policy.

## 8. OVERTIME

The notion that overtime is perceived as part of the salary package with some employees thinking it is their right to work overtime whether it was essential or not was dealt with last year September 2008 after an outcry following management decision not to pay all hours worked for overtime. This has changed in that only thirty (30) authorized hours of overtime were paid until normalisation of revenue was realised towards the end of the financial year further control mechanisms were still needed and implemented. The financial year in review has seen a dramatic decrease in overtime to the extent that some employees especially at both traffic section and halls became antagonized as if they were targeted.

## 9. COMPLAINTS

There has been a significant decrease after the latter part of the financial year in the number of complaints made to the media or management. There have been a few complaints, which basically were about parking, speed calming devices, truckers and road markings.

## GENERAL

Challenges in this section of the department still exist especially with regard to a structural dimension where candidates who were offered employment after interviews still not fill certain posts due to turning down offers. The second challenge is the Weenen Agency that appears to be a problem in terms of compliance with raised queries to the extent that a provincial representative (Ms Nokuthula Ndlovu) visited the office in trying to conscientise them of the danger the municipality could face if the matter is not speedily addressed. However, there is hope that the deployment of Mr H O'Brien will mitigate the situation, as he was also present in that meeting.

## B. MUNICIPAL PROPERTIES

### 1. Maintenance



Regrettably maintenance due to financial constraints was very much restricted to emergency work however considerable maintenance is being done to the main building including the facelift of the entrance to the main building, round building, the Wembezi Library sewerage system, Council chamber ceiling, ablution blocks at the main building. Below is the brief synopsis of an approximate amount of maintenance undertaken during the financial year however most of the maintenance was of an emergency nature as due to the constraints mostly urgent work was done:

Month	Approx No.	Comments
July	10	Repairs to toilets, tap leaks in clinics, main building and halls
August	8	Major work replacement of damaged pipes in Colita & Paapkuils. Toilet/Leak repairs ongoing
September	6	Repeated problems experienced at Wembezi library/offices due to design fault. Minor repairs toilets/leaks at NCVV(Old civic bldgs), Caravan Park, Forderville pool & Fort Durnford
October	7	Leakage report compiled. Attended to toilet/leak problems at Colita, Fville pool/hall & Fort Durnford, etc
November	10	Attended to roof leaks/unblock toilets at Workshops, cage designed to protect Colita sewer pipes constantly destroyed by children when playing
December	5	Unblock toilets & repair at workshops, Civic buildings, Fville hall, Weenen & Clinics
January	6	Attend to leaks, unblock toilets at Weenen, Fville, Colita, Caravan Park, & NCVV
February	4	Repairs & installation-geysers, attend leaks/blockages Finance dept, Town Hall, & Fville pool
March	5	Inspect CI Chamber ceiling-required specialised repair (currently underway). Repairs/ maint. Finance, W/shops, Traffic & Well being centre
April	8	Major plumbing repairs at workshop complex, repair leaking geyser, leaking pipes, & blockages
May	7	Site meeting Wembezi design fault/pigeon proof CL chamber-BID invites. Blockages/leaks Wembezi Admin, Foderville, Colita Hall, Clinics
June	4	Continuing with interior of Main building painting, CL Chamber roof ceiling repair and compiled comprehensive toilet/leakage report (see attached report). Unblock toilets.

**2. HALL HIRE**

From the afore-going it can be ascertained that those halls having a high utilization rate need ongoing maintenance. The following table indicates only an estimate of income received from Hall hire due to variances in tariffs, uses, charge waivers, etc.:



MONTH	TOWN HALL	FDVLE.HALL	LIB PROJ. ROOM	PAAPKUILS	COLITA
JULY 2008	R 3 719	R 3 600	R 787	R 500	R 120
AUGUST	R 2 688	R 1 156	R 1 041	R 1 100	R 506
SEPTEMBER	R 2 426	R 2 271	R 515	R 200	R 100
OCTOBER	R 3 657	R 2 560	R 306	R 400	R 53
NOVEMBER	R 6 505	R 4 320	R 857	R 960	R 159
DECEMBER	R 3 938	R 4 535	R 314	R 1 250	R 200
JAN 2009	R 4 992	R 3 984	R 848	R 500	R 300
FEBRUARY	R 4 902	R 2 181	R 558	R 820	-
MARCH	R 5 374	R 2 338	R 1 082	R 200	R 38
APRIL	R 2 906	R 4 050	R 556	R 824	R 527
MAY	R 5 824	R 4 600	R 555	R 559	-
JUNE	R 1 678	R 1 833	R 1 053	R 265	R 400
TOTAL	R 47 707	R 37 428	R 8 472	R 6 778	R2 403

The Municipal Manager or her nominee grants occasional free use of the hall by organisations catering for community initiatives following written request.

## 2. SWITCHBOARD

During the period under review there hasn't been any major hassles with regard to the existing digital telephone lines except for the change in personnel as Ms C. Mahlangu was employed at Finance dept. and we have a new staff member.

## C. INFORMATION TECHNOLOGY

### 1. Internet Usage

After the section experienced a huge jump in our Internet usage with abuse of the facility taking place last year (2007/2008 financial year) and as a result, we were reaching our set cap of 10GB per month within the middle of the month, thus management decided that only those who needed Internet access for work purposes would have this granted to them. The results were seen immediately with us staying below our monthly cap and browsing speeds dramatically increased. This has also been consolidated by the introduction of policies that will give effect to control measures meted out to staff but is awaiting consideration by council as EXCO deferred them for sufficient reading.

### 2. Vending Machines



Our electricity vending equipment & software continued to be the cause of much bad publicity for the Municipality even over this period. We experienced multiple problems with our vending machine even after the installation of new vending system last year July 16, 2008 but constant breaking down of vending machines continued and as a result the IT Officer was tasked with the fixing culminating in excessive overtime due to call outs.

There hasn't been any problem with our radio links to Wembezi and Weenen during this period.

### 3. Application Problems with existing Computer System

After requests to replace all of our Windows '98 computers were submitted to the Municipal Manager's office along with an estimate of the cost implications, computers were purchased and allocated to several priority offices such as Committee Officer, Principal Clerk-Corporate Services, Finance department, Civil and housing section.

### 4. AVM Call outs

During this period the number of AVM call-outs to be attended by the IT Officer were increasing every month and the average number of call-outs per month was calculated around 26, 67 and this was a huge number because the IT Officer had to be paid for any of these call-outs.

## D. HUMAN RESOURCES

The field of Human Resources combines administrative personnel functions such as recruitment, employment, training and other personnel issues, with employee relations and resource planning and development. The objective is to maximize the return on investment from the human capital within the Municipality and to minimize financial risk. It is therefore the responsibility of the Human Resources Unit in consultation with Management to conduct these activities in an effective, legal, fair and consistent manner. The Human Resources Unit aimed at being an active partner in the facilitation and creation of a self-motivated and progressive Municipal workforce that is focused on Municipal service delivery objectives whilst also achieving personal and career growth as well as self-fulfilment. To a large extent these objectives were met during this financial year and I hereby submit the annual report.

### 1. LEAVE RECORDS



Although various problems were experienced with the administration of Leave Records, solutions were found and the administration of these records are proceeding well.

2. ORGANIZATION STRUCTURE:

The recruitment process used by the Municipality is a consultative and incorporated process. A request to fill a vacant position is received from the relevant Head of Department and once the Municipal Manager approves the request, the position is advertised. On receipt of applications, Human Resources do the initial sorting and summary of applicants. An Ad-Hoc Committee i.e. Employment Committee is then called to short list candidates. Once this is completed, the interview is arranged and conducted with the applicants. The interviewing panel consists of the Municipal Manager, Departmental Directors, two councillors, Human Resources representative and the relevant Unions.

Municipal improvement issues are continuously addressed and through the processes of involving all the appropriate and affected parties, the re-structuring exercise went smoothly and the Municipality was geared to meet operational objectives to service delivery.

Fifteen (15) appointments were made in order to fill vacancies during the last financial year in order to speed up service delivery:

Corporate Services:	3
Finance:	4
Planning, Economic & Community Services:	0
Electrical Engineering:	1

4 New appointments

11 Appointments from contractual staff to permanent

Nine (9) employees were promoted either through re-structuring of Departments during the 2008/2009-budget process (placements) or through the process of vacancies being advertised internally and subsequently filled. Statistics per Department as follows:

Corporate Services	6
--------------------	---



Finance	4
Planning, Economic & Community Services	4
Civil Engineering	1
Electrical Engineering	0

During the budget process, certain posts' salary grading was changed and subsequently the incumbent employee's salary changed as follows:

Corporate Services	1
Finance	0
Planning, Economic & Community Services	2
Civil Engineering	1
Electrical Engineering	0

Unfortunately some staff members, totalling 14, left the employ and the statistics are made up as follows:

- 3 Resignations
- 4 Retirements
- 2 Medical Boarding
- 5 Deceased

At the conclusion of the financial year ending June 2009, the structure comprised of the following:

Total Posts on Structure: 379



Current Posts Filled: 308  
 Vacant Posts: 43  
 Frozen Posts: 28

Every effort should be made to fill the vacancies as they are budgeted for in the new financial year in order to improve service delivery.

**3. JOB PROFILES AND WAGE CURVE IMPLEMENTATION:**

The Municipality will start implementing with the assistance of Kwanaloga from the next financial year as it could not start this financial because of financial constraints but this should be implemented in a phase in process for a period not exceeding five years.

**4. EMPLOYMENT EQUITY:**

In compliance with the Employment Equity Act, Act 55 of 1998, the Umtshezi Municipality appointed JIT Management Consultants to developed a five year Employment Equity Plan, starting from 2008 to 2012. The progress and developments of the Employment Equity Plan are annually reported to the Department of Labour at the end of September of each year.

As at 30 June 2009 the Employment Equity Report of the Umtshezi Municipality is as follows:

OCCUPATIONAL CATEGORIES	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
Legislators, Senior Officials & Manager	7	0	2	1	4	0	0	0	14
Professionals	0	0	1	0	2	3	1	1	8
Technicians & Associate Professionals	28	2	6	4	2	0	1	0	43
Clerks	13	4	3	0	9	3	8	7	47
Service & Sales Workers	12	2	1	0	6	1	4	0	26
Skilled Agricultural & Fishery Workers									



Craft & Related Trades Workers	8	0	0	0	7	0	0	0	15
Plant & Machine Operators & Assemblers	33	0	0	0	0	0	0	0	33
Elementary Occupations	106	0	1	0	42	0	0	0	149
TOTAL PERMANENT	210	9	15	6	73	8	14	8	343
TOTAL TEMPORARY									

Training in respect of the elected Employment Equity Committee also took place and a better understanding of what their role is, was achieved.

5. WORKPLACE SKILLS PLAN:

The Workplace Skills Plan for 2008/2009 for the Municipality was finalized and delivered to LGSETA together with the Annual Training report for 2008/2009 on due date, i.e. 30 June 2009.

6. TRAINING & DEVELOPMENT:

The annual training budget is centralized and managed by Human Resources, 100% (R80 000,00) of the annual training budget was spent in 2008/2009. Grants (mandatory) to the amount of approximately R170 000 for the financial year 2008/2009 have been received from LGSETA.

The number of beneficiaries trained during the period 1 July 2008 and 30 June 2009 are as follows:

Legislators	1
Directors & Corporate Managers	2
Professionals	4
Technicians & Trade Workers	4
Community & Personal Service Workers	2
Clerical & Administrative Workers	7
Machine Operators & Drivers	1
Labourers	2



The Municipality provides employees with an opportunity to further their formal studies through a vibrant bursary scheme. This initiative motivates employees to study and develop as individuals. It also provides the Municipality with skilled employees, and will continue to improve the skills of the workforce. A total of 15 employees participated in this scheme. Below is an outline of the Departments who participated:

Corporate Services:	8 Employees
Finance:	3 Employees
Planning, Economic & Community Services:	4 Employees

Four (4) of six (6) employees did not submit their examination results despite various requests to do so and Finance Department were advised to recover the amounts paid by Council. Two (2) employees were given the opportunity to pass their subjects at own cost prior to the bursary continuing.

Training in respect of the Basic Conditions of Employment were conducted by the Manager (Human Resources) to all Supervisors with a view to them understanding what are expected from them. They were also requested to filter the information / training down to their staff in order for all employees to be abreast of the conditions of their employment.

Capacity Building also took place in the Human Resources Unit itself. The HR Administration Officer has been assisting the Manager (Human Resources) by taking over general day to day administrative work and capturing employee information on the Personnel Database Program. Miss Mchunu also capacitated Mr Sibiya on Pensions that was duly taken over by him as Labour Relations Officer. The Unit is functioning well.

## **7. HUMAN RESOURCES POLICIES:**

Through leadership from the Director: Corporate Services, various Human Resources Policies were drafted and approved by Council. The process commenced with the identification of critical areas of concern, prioritisation and selection of HR interventions and agreement on time frames for delivery. Various presentation sessions to all Departments as well as Councillors took place and the Council has already adopted the following Policies:



Access to employee files / information	Acting Allowance
Communication	Confidentiality
Employee Promotion	Employee Study Bursary
In-Service Training	Security of Municipal Affairs
Smoking	Substance Abuse
Training & Development	Placement
Use of Municipal Assets & Resources	Employment Equity

The following Policies have been work-shopped with Departments and are awaiting Council's approval:

Length of Service	Maternity Leave
Leave	Remuneration
Harassment / Bullying	Health & Safety
Retrenchment / Redundancy	Retirement
Acting Allowance (Review)	

**8. LABOUR DISPUTES AND OUTCOMES:**

The purpose of a disciplinary code and procedures is to regulate standards of conduct and incapacity within an Organization. The aim of discipline is to correct unacceptable behaviour and adopt a progressive approach in the workplace. Unfortunately it was necessary during the last financial year to institute disciplinary procedures against six (6) Municipal employees of which the following awards was forthcoming:

Arbitration Awards – Dismissal	1
Dismissal by employer	2



Final Written Warning	2
Disciplinary pending settlement agreement (MEC)	1

## 9. PENSIONS:

The functionality of the administration of Pensioners was transferred from the Hr Administrative Officer to the Labour Relations Officer during his appointment in October 2007. Mr B.P. Sibiya is performing these functions well. During the last financial year five (5) pension cases were finalized and the files closed.

# F. COMMUNITY PARTICIPATION

## G. LIBRARY SERVICES AND HERITAGE SECTION

### 1. LIBRARIES

In keeping with the objects of Library Services which is:

To encourage and foster love of reading for the purposes of educating, lifelong learning as well as for leisure in order to ensure that members of the community, whether young or old are able to become literate and knowledgeable enough to improve their lives, and

To this end our libraries have managed to provide a service that is of high quality and in addition enabling the community to access the necessary information. The following is a comparison table of circulation of items in both the 2007/2008 and 2008/2009 financial years:

#### 1.1 Circulation

2007/08

CIRCULATION OF ITEMS		
Estcourt	Printed and non-printed material	32992
Forderville	Printed and non-printed material	19454
Wembezi	Printed and non-printed material	12740
Weenen	Printed and non-printed material	6248
<b>TOTAL</b>		<b>71434</b>



2008/09		
CIRCULATION OF ITEMS		
Estcourt	Printed and non-printed material	37 135
Forderville	Printed and non-printed material	19152
Wembezi	Printed and non-printed material	15 136
Weenen	Printed and non-printed material	7168
<b>TOTAL</b>		<b>78591</b>

The circulation of print and non-print material has increased at all four libraries compared to last year. That is because of the relationship that has been created between libraries and schools around Umtshezi Municipality and the old age home. And there are more children using the libraries for their school projects and for recreational use. The number of books to be taken by adult has been increased to from 8 to 10 books per adult, from 4 to 5 for juveniles and the number of books to be taken by pensioners is unlimited. Block loans are still being selected from the Central Reference Library in Pietermaritzburg, and these are popular with the regular readers. These cover a variety of topics and cater for readers and users with varying interests.

## 2. Membership

2007/08

MEMBERSHIP	SENIOR	JUNIOR	YOUTH	TOTAL
Estcourt	1588	435	768	2791
Wembezi	542	677	389	1618
Fordeville	866	691	108	1669
Weenen	225	131	88	482
<b>TOTAL</b>	<b>3221</b>	<b>1934</b>	<b>1353</b>	<b>6636</b>
2008/9				
MEMBERSHIP	SENIOR	JUNIOR	YOUTH	TOTAL
Estcourt	1612	822	504	2938
Wembezi	588	708	357	1653
Fordeville	827	50	741	1618
Weenen	250	162	100	512
<b>TOTAL</b>	<b>3277</b>	<b>1472</b>	<b>1702</b>	<b>6721</b>

Membership at libraries showed a steady increase for year 2008/9. The problem being experience by all libraries is that members are not coming to renew their membership after the expiry date.

## 3. Users Per P/A

2007/08

LIBRARIES	NO. OF USERS P/A
Estcourt	85115
Wembezi	73 833
Forderville	25 961
Weenen	2238
<b>Total</b>	<b>187 147</b>



2008/09	
LIBRARIES	NO. OF USERS P/A
Estcourt	86 400
Wembezi	74 891
Forderville	26 400
Weenen	2 400
<b>Total</b>	<b>190 091</b>

The number of people using the libraries showed a steady increase throughout the year.

#### 4. Library Promotional Events

##### 4.1 Awareness and Outreach Programs

Estcourt Library supported the KwaMkhize Primary School in Hlathikhulu with block loan of books four times a year. Estcourt Library has a story hour once a month for Anita's crèche at Forderville. Library staff from Estcourt Library assisted the Umhubheni High School in setting up a school library. Old books and magazines were donated to Zamindlela Primary at Emhubheni. A block loan of books, plastic bags and books are given to the old age home once a month. Rural Primary Schools around Umtshezi Municipality visit all libraries once a term every year. Every month each library does different kinds of events loans, projects, library orientation story hour and video shows

##### 4.2 Special Events

###### 50<sup>th</sup> Anniversary for Estcourt Library

Estcourt library was turning 50 on the 18 of September 2008. Estcourt library celebrated this special day by having a celebration and invited motivational speakers like Anderson Radebe who was telling us on how to live a healthy life while you are HIV Positive, school children's from surrounding schools, and library members as well as Midlands Depot staff. Different organizations around Estcourt donated money, hampers, gift vouchers, cakes etc. see below.





### 4.3 Supporting Programmes

Aligning with National Programs such as:

#### 4.3.1 Heritage Month

All Libraries participated in putting up a display on Heritage months. The patrons in Central Library viewed cultural Exhibitions. All staff from libraries dressed traditionally according to their cultures. See below:



#### 4.3.2 Library Week (From 16-20 March 2009)

Activities were planned but due to the fact that scholars were busy with their control tests, these were not well attended. The activities which need to be planned in order to attract the current generation require some financial input, which is rarely, if ever forthcoming from the municipality. Promotional items such as bookmarks, library bags, balloons and other items were sent by Library Services, which were handed out to the members, who truly appreciated the items.

#### 4.3.3 Readathon

All libraries had a story hors, drama, library orientation and motivational talks at local schools during Readathon week in September 2008.

### 4.4 Displays

Various displays on different topics were put up in all libraries eg. Africa day, Valentines day History of Weenen, Confederations Cup, Freedom Day, Valentines day, breast cancer, Easter, Astronomy, Crafts, Mental health, Career Guidance etc.

### 5. Intergovernmental Networking

The book exchanges have afforded the library staff the opportunity to select materials that are suitable for the members, as well as selections from the Central Reference Library. Books exchanges were attended 4 times during the past financial year. Staff Development Meetings was attended 4 times during the past financial year quarterly every year. The meetings are set



by KZN Provincial Library Services according to our Regions to update the public librarians, listening to their needs and problems. Acquisition meeting was held twice during the past financial year.

KZN Provincial Libraries and Archives hosted a conference that was held in Durban on the 9<sup>th</sup> and 10<sup>th</sup> December 2008. The Public Libraries and Archives conference was held at ICC in Durban from the 09<sup>th</sup> –10<sup>th</sup> December 2008. Such conferences afford Librarian from the affiliated libraries an opportunity to share new ideas, discuss mutual problems and find more effective ways of coping with the changing needs of public libraries.

### **5.1 Items subsidized by KZN Provincial Library Services**

Headcount system was installed at Wembezi in October 2008. The Central, Wembezi and Forderville libraries received a lot of new tertiary textbooks. KZN Provincial Library has promised to provide extra shelves since there is no space for the books especially at Wembezi Library. KZN Provincial has also promised to provide the Central Library with the new issue counter, 72 chairs, 4 tables (adult section) 8 chairs, 2 tables (junior section).

## **6. Library Maintenance**

During the period under review there have been a number of problems regarding the continuous maintenance of the libraries e.g. Wembezi and Weenen and Estcourt. This matter has been stressed a number of times with the Director and the Municipal Manager. The ability of such institutions as libraries, currently, to attract members of the public to make use of them is dependent on the overall appearance. During the summer months over the past few years, it has been unbearably hot in the libraries and, although there are fans, these provide minimal relief. Capital estimate requests for air conditioners were sent during the previous financial year

## **7. Overdue Library Materials**

Problems are still being experienced with members not returning their library materials on time. Efforts are continuously being made to track members and request that the materials be returned.

## **8. Internet Computers For the Public Use-Wembezi Library**

The computer laboratory is the key in developing computer skills Wembezi community. This Project has re-engineered the library perception as it has historically labelled with school kids. Library computer centre has recently transformed the community mentality through the advancement of service provided in the library. The patrons have thanked The Department of Arts and Culture for this initiative saying, “This is the recently best community development service delivery facility our government has produced for the community and academics at Wembezi.

## **8.1 USERS PER CATEGORY**



Adults	446
Young Adults	646
Tertiary Students	172
Illiterate	211
Literate	777
Juveniles	480

## 8.2 USAGE (Mostly used programs)

Internet & Email  
 Microsoft Word  
 Microsoft Excel  
 Microsoft PowerPoint  
 Microsoft Publisher

E-mail accounts created per since the installation of the Internet 184

## 8.3 TECHNICAL PROBLEM

Incident	Frequency
Off line	20
Slow periods	81

## 8.4 SOFTWARE

One student from UCT asked for ARCHICAD 12

## TRAINING CLASSES

Learners attending classes  
 Adults 110  
 Young Adult 275  
 Juveniles 55  
 Deaf 01

## USAGE OF SYSTEM

Typing	572
E-mail	903



Information	175
Recreational	593

## 8.5 PROMOTION

With the help of the learners It was managed to put up notices around schools and on street lights to make everyone aware of the computer services offered by Wembezi library, which made a huge difference because after displaying those notices the number of learners increased. Local school were visited whereby the Computer Library Assistant went to the nearest schools to promote such services offered by Wembezi library, that is where the importance of being Computer literate to learners as well as teachers will be emphasized.

## 8.6 GENERAL

Most of the users are from local Primary school and High schools. There are few adults who come to the library may be because most of them are at work during the day. Saturday computer classes for Adults who are computer illiterate started as from the 1<sup>st</sup> August 2008, basically to teach them things like Typing CVs, Assignments and Memos. Looking at the number of users who are interested in learning the computer basics, by December 2009, the Wembezi community will be having more of computer literate children. The reason for this is that most of the learners are mostly children from primary schools.

## H. COUNCIL SUPPORT

Council has managed to comply with the schedule of meetings however at times circumstances beyond its control resulted in some schedule meetings being postponed to another date and everything went according to plans except for few administrative hitches which were addressed every-time they cropped up. Below is the schedule of Council, Exco and Sub-committee meetings held during the year in review:

### 1. NUMBER OF MEETINGS

COMMITTEE	ORDINARY	SPECIAL	TOTAL
Council	9	1	10
EXCO	3	4	7
Infrastructure, Housing & Town Planning	5	0	5

# UMTSHEZI MUNICIPALITY



IDP, Finance, LED & Tourism	3	0	3
HR, Transformation & Safety/Security	2	0	2
Local Labour Forum	1	0	1
Employment	3		3

## 2. COUNCIL RESOLUTION REGISTER

Up to date

## 3. ANALYSIS OF ABSENCE BY COUNCILLORS (Council meetings)

NAME	NUMBER OF DAYS ABSENT AT MEETINGS
Cllr. M.L. Shelembe	1
Cllr. S.N. Mchunu	1
Cllr. S.J. Mageza	4
Cllr. D.M. Vahed	2
Cllr. P.J. Sokhela	2
Cllr. N.V. Mtiya	1
Cllr. S.C. Mlele	1
Cllr. M.P. Khanyile	2



## I. REGISTRY

During the financial year in review the section operated well and no unfamiliar incidents were reported such as loss of files while in circulation since the implementation of controls for circulation. The inspection by provincial archives was conducted and the report raised few issues that need to be attended to and the report is at registry.

## CONCLUSION

In the absence of sufficient resources to address service delivery requirements, challenges will always be there in any public sector organisation and therefore this Municipality is no exception but gradually the impact to the well-being of people about what we do, will be felt no matter how small it would be to the citizens of Umtshezi in its entirety.

## REPORT COMPILED BY

VB MBATHA

CORPORATE SERVICES DIRECTOR



# **SOCIAL AND COMMUNITY SERVICES**

## **ANNUAL REPORT : PLANNING, ECONOMIC & COMMUNITY SERVICES DEPARTMENT**

### **TOURISM**

Due to financial constraints the Tourism Plan and Strategy was not developed, however the process has started as the terms of reference for the service provider has been finalized.

The following was achieved during the year under review:

- Publicity on Tourism in the Umtshezi and surrounding areas.
- In partnership with BRTA the Drakensberg Experience Route was developed.
- Worked in consultation with neighbouring schools in assisting learners to further their studies in Tourism.
- The municipality was the main sponsor in the Phuthu Festival as financial and human resources was provided to the organizers.
- On a day-to-day basis domestic and international tourists are assisted on all tourism related matters.
- Umtshezi Municipality was represented at District level Tourism Forum.
- BRTA members are assisted with publicity of their organizations.



## BUILDING CONTROL

This department continues to carry out the functions of

- Building Control Officer
- Building Inspectorate
- Law enforcement officer

This office continues to assist Council in fulfilling its statutory obligations in the monitoring and enforcement of Building Standards and regulations in the area.

The area covered includes, Estcourt, Wembezi, Weenen and Frere areas.

The Department has to be constantly updated with current technology and legislation; basic principles of building constructions, trades, practices, plant and equipment to ensure that building standards and methods are maintained.

The following duties are carried out on a daily basis;

- Ensuring compliance with national Building Regulations and standards Act 103/1977 (as amended)
- Receive and reviews construction plans checking for compliance with applicable ordinances; issues building permits after compliance has been determined. Assist property owners with queries and technical advice.
- Visits construction sites as assigned on a daily basis; check plans and specifications for on-site conformity to construction and building code; conduct inspections of actual construction and makes final inspections upon completion of new buildings, improvements or repairs to determine conformity with plans and code.
- Verify ordinance complaints and conduct inspections of violations; explain and interpret zoning ordinance to Township property owners; issue contravention notices when necessary.
- Ensure correction of unsafe conditions in existing structures.
- Law enforcement and issuing contravention notices and fines in terms of the relevant applicable acts related to building regulations.
- Issuing of completion / occupation certificates.
- License application inspections for the magisterial district of Umthezi.
- Approval of signs.
- Working closely and liaising with municipal valuers, land surveyors, engineers, architects, local businesses and provincial and other state departments.

Plans submitted and building completed during the year.

DESCRIPTION	QTY
Residential buildings completed less than 80m <sup>2</sup>	272
Residential buildings completed exceeding 80m <sup>2</sup>	52
Townhouses	16
Office / commercial space	2
Shopping space	3
Industrial and warehouse space & workshops	4



Churches, sports and recreation	2
Buildings owned by public Sector	4
Alterations and Additions to residential buildings	69

During the course of the year many meetings were attended and the Municipal Management course attended.

The department carried out 1 210 site inspections and attended to 922 queries from the public.

Comments:

The past year has been very demanding as the needs of the property owners are increasing as the town develops.

One person performing all the duties required in the section is extremely challenging.

Since last year all developments on agricultural land have to submit plans to the local authority has created further challenges to the department. The increasing complexity of the Building Regulations coupled with other developmental legislation now demands that we employ more staff in this department so that well-informed decisions are taken and we continue to ensure compliance and enforcement of development controls.

**INTEGRATED DEVELOPMENT PLAN**

The final IDP 2009/10 was adopted by Council on Sunday 31 May 2009 after an extensive public participation process, which included Decentralised Mayoral imbizos, Representative forum meetings, steering committee meeting, meetings with Sector departments, Stakeholder meetings and advertisements in the local media. The development of the IDP 2009/10 was in full compliance with the Local Government legislative framework. The copies of the IDP 2009/10 were forwarded to the office of the MEC for Local Government and Traditional Affairs timeously. Copies of the final IDP 2009/10 were also delivered to all stakeholders and also made available to the public at all Municipal offices and buildings.

**LOCAL ECONOMIC DEVELOPMENT**

The LED Strategy and Plan was reviewed and a fully functional LED Forum was established in terms of our LED Strategy and Plan. A number of poverty alleviation programmes were undertaken, which included assistance to emerging farmers, co-operatives, SMME's and community garden organisations. The Department of Agriculture also distributed seed packages via the Municipality as part of the poverty alleviation project of the department.

Assistance and support was given to 20 co-operatives which included business management training and advice. Fourteen new co-operatives were established in partnership with the Department of Economic Development. Training was also provided to SMME's in partnership with the Department of Economic Development. Local Crafters organisations/co-operatives were assisted with transport to participate at exhibitions in the province.



The Business Retention and Expansion Programme was launched during the year under review with the express purpose of helping local businesses to take full advantage of economic resources and skill development through education while intending to curb unemployment by a reasonable percentage. This programme was in partnership with Trade and Investment KZN and was supported by businesses in Estcourt. A survey was conducted and after deducing the outcomes, three teams were set up - Chamber of Commerce and Industry - a president was elected and the chamber is now fully operational.

Meetings with Municipality – the Municipality implemented a turnaround strategy and consultative meetings are ongoing. Marketing Umtshezi – the local media will do the marketing. Consultative meetings are ongoing.

**PERFORMANCE MANAGEMENT SYSTEMS**

In assisting the Municipal Manager to comply with the legal requirements of the PMS, the following was achieved:

The OPMS framework was finalised in compliance with the Local Government Legislative Framework and advertised in the local media as part of the public participation process.

The PMS Audit committee and the Evaluation committees were established. The Performance Agreements, Performance Plans, SDBIP were finalised and approved by council.

The quarterly reports were finalised and subjected to audit by our intenal auditors as well as by the Performance audit committee and were approved by Council.

A workshop was held for all HODs and Councillors on 6 May 2009 and was facilitated by DLGTA.

**FIRE SAFETY**

<b>BUILDING PLANS &amp; NEW BLD PROJ.</b>	<ul style="list-style-type: none"> <li>64 Plans checked</li> </ul>		
<b>TRADE &amp; LIQUOR LICENSE INSPECTIONS</b>	<ul style="list-style-type: none"> <li>53 Premises were inspected.</li> </ul>		
<b>GENERAL INSPECTIONS</b>	<ul style="list-style-type: none"> <li>31 Premises were inspected.</li> </ul>		
<b>PROJECTS</b>	<ul style="list-style-type: none"> <li>The <i>school emergency evacuation guide</i> was completed.</li> <li>A <i>fire safety at home</i> educational document was drafted and implemented..</li> <li>The training course on <i>the practical use of portable fire extinguishers</i> was also drafted and implemented which was used for training the staff at Estcourt hospital.</li> <li>The drafting of the <i>Community Fire Safety By-laws</i> is currently being worked on and needs to be promulgated and implemented by 2010 to replace the current Bylaws which need to be updated to incorporate new sections such as <i>the control and use of tents</i> and new applicable legislation.</li> </ul>		
<b>ACCOUNTS PROCESSED FOR THE YEAR ENDING 06/2009</b>	<b>DATE:</b>	<b>INCIDENT:</b>	<b>ACCOUNT VALUE:</b>
	05/07/08	Spillage	R2030,00
	22/07/08	MVC	R1260,00
	20/08/08	Truck Fire	R28 282,89
	08/10/08	HMVC	R2704,00
	26/10/08	Truck Fire	R1961,00
	30/10/08	HMVC	R1291,00



	21/11/08	Truck Fire	R3497,00
	10/12/08	HMVA	R4456,00
	12/05/09	Truck Fire	R5658,00
	13/05/09	Truck Fire	R3335,00
	15/05/09	MVA	R3311,00
	23/05/09	MVA	R1558,00
	26/05/09	Vehicle Fire	R707,00
	28/05/09	Taxi Fire	R778,00
	<b>PROJECTED TOTAL INCOME:</b>		<b>R60 829,89</b>
<b>MEETINGS ATTENDED</b>	<ul style="list-style-type: none"> <li>• 25 Meetings were attended.</li> </ul>		

**PRIMARY HEALTH CARE**

**CONNOR STREET CLINIC:**

ACTIVITIES / STATISTICS

CLINIC ATTENDANCE

<b>CONNOR STREET CLINIC</b>	
- 5 Years	5 374
Over 5 Years	15 319
<b>TOTAL</b>	<b>20 693</b>

<b>OTHER ACTIVITIES</b>	
Ante-Natal	987
Immunizations	858
Chronic clients	2 498
No. of TB clients	767
No. of TB suspects	296
Tested positive	26
Family Planning total attendance	3 051
Pap smears taken	30

HIV TESTING (Voluntary Counselling and Testing & Prevention of Mother To Child Transmission)

**CONNOR STREET CLINIC**



PMTCT Number tested	271
Positive	94
PCR Number tested	148
VCT (including Well-Being Centre)	1 991
Positive	511
Clients who came for CD4 counts	818

**FORDERVILLE CLINIC:**

**CLINIC ATTENDANCE**

<b>FORDERVILLE CLINIC</b>	
- 5 Years	4 377
Over 5 Years	24 306
<b>TOTAL</b>	<b>28 703</b>

**SERVICES RENDERED**

Physiotherapy sessions	94
Psychiatric sessions	45
Dietician	44

**HIV TESTING (Voluntary Counselling and Testing & Prevention of Mother To Child Transmission)**

<b>FORDERVILLE CLINIC</b>	
Ante-Natal Clients tested (PMTCT)	363
Positive result	102
Negative result	251
Clients tested (VCT)	603
Positive result	191
Negative results	406
CD4	639
PCR	94

**TUBERCULOSIS**

<b>FORDERVILLE CLINIC</b>	
TB Patients	595
Suspects	336
Positive sputums	12

**OTHER ACTIVITIES**

Ante-Natal	1 387
Immunizations	1 212
Chronic clients	9 650
Family Planning	2 297
Pap smears taken	257



**WASTE / CLEANSING**

1. **WASTE MANAGEMENT**

A total of 5 850.11 tonnes of waste was disposed of during the course of the year. This record reflects lower than the previous year which is as a result of security staff at the landfill site not keeping accurate records.

The Integrated Waste Management Plan which is being funded by MAP (Municipal Assistance Programme) was 90 % complete by the end of the financial year. Budget - the annual budget of R189 814,00 for the repair and maintenance of vehicles in this section, was depleted by February 2009 and funds had to be transferred internally to keep the fleet in operation.

2. **CLEANSING SERVICES**

Temporary/Contract workers employed under the Poverty Alleviation programme, continued to perform work in this section. The additional labour force is most welcomed in the cleansing and waste sections - they would struggle to cope with their workload without this support.

**PARKS & RECREATION**

**CEMETERIES**

The following burials took place during the year:

<b>ESTCOURT</b>	<b>WEMBEZI</b>	<b>WEENEN &amp; KWANOBAMBA</b>
74	278	81



# ELECTRICITY DEPARTMENT

## 1. INTRODUCTION

- 1.1 To provide a record of performance of the Electricity Department throughout the year.
- 1.2 To provide a report on performance in service delivery and budget implementation by the Electricity Department through out the year.
- 1.3 To highlight areas of a challenge and to detail the plans in place to deal with the challenges.
- 1.4 To acknowledge the backlogs and provide a program to clear the backlogs.

## 2. BACKGROUND

- 2.1 I4Z Consulting continued to perform the Responsible Person duties at the Electricity Department.
- 2.2 The plan to build capacity is in place and the work is continuing in training internal staff to handle the electricity department work.
- 2.3 Challenges on the Municipal cashflows were experienced during the 2008/09 financial year which made it difficult for the operating budget to be expended uniformly during the financial year. This affected mostly the first four months of the financial year.
- 2.4 The financial situation also affected the capital budget which is funded from the



Council Funds. It was only agreed to spend the Capital Budget in March 2009. This therefore made it impossible to fully expend the Capital Budget due to electrical equipment lead times as well as procurement procedures.

- 2.5 The service delivery was not affected too much as the Department went flat out to cover the work that could not be covered during the first four months of the financial year.
- 2.6 The Electricity department continued to keep the network availability levels within the NRS 048 requirement of 95%

### **3. COMPLIANCE WITH OCCUPATIONAL HEALTH AND SAFETY ACT**

The Electricity Department complied with the Occupational Health and Safety Act during the financial year. Improvements were seen in the way they do their work. There was no disabling injury during the financial year. However there is still a challenge in terms of the use of vehicles. One Council Vehicle was involved in a serious accident and the occupant was however not injured.

The policies below are updated annually and communicated with staff accordingly.

- Overhead line
- Substation
- Street lighting
- Operating instructions
- Update of Safety Rules

### **4. TRAINING AND CAPACITY BUILDING**

The Department identified 5 internal staff member to be trained as electricians. These employees were taken to Dragon Training Center for their training. Two of the employees did not make it through however the three continued until the



end of the program. It is anticipated that they finish their training and do their trade test during the 2010/2011 financial year.

The Municipality also appointed a Trainee Technician and he finished his training during the 2008/09 financial year and has been appointed as a technician within the Municipality.

The Municipality also took 10 Electrical Learnerships for one year. They were released at the end of the year. Closer to the end of the financial year the Municipality also took on 8 Electrical Learnerships.

## **5. ELECTRICITY DEPARTMENT BUDGET**

The Electricity budget has been prepared in line with 5 year Electricity Master Plan and IDP. The Budget is monitored and controlled on several different levels with very strict procedures for expenditure where only authorized persons may approve expenditure after consultation with immediate supervisor. This department has implemented the Supply Chain Management Controls in terms of Councils Policy.

The Municipality received R1.2 million for Wembezi electrification i.e. 300 connections from DME. The Municipality finished the connections at the end of June 2009. The Project was delayed due to the slow erection of Low Income Housing scheme which had serious challenges.

The cashflow situation of the Municipality during the 2008/09 financial year made it difficult for the operating budget to be expended uniformly during the financial year. This affected mostly the first four months of the financial year.

The financial situation also affected the capital budget which is funded from the Council Funds. It was only agreed to spend the Capital Budget in March 2009. This



therefore made it impossible to fully expend the Capital Budget due to electrical equipment lead times as well as procurement procedures.

## **6. TARIFFS**

The annual tariff increase has been approved by Council as well as NERSA at 34% across the board and 15% for the indigent customers.

The Municipality also held a number of meetings with customers and other stakeholders informing them of the tariff approval.

## **7. STAFF MATTERS**



The Municipality appointed two Electricians and One Senior Electricians. One Electrician was promoted to Senior Electrician and one Senior Electrician was promoted to Superintendent. As discussed in item 4, the trainee Technician was appointed as Technician.

The positions of Senior Manager Electrical could not be filled because all the candidates interviewed declined the offers.

## **8. PROJECTS INITIATED AND SOME COMPLETED DURING YEAR**

Major projects during last Financial Year, besides regular plan maintenance are:

- a) Eskom CFL distribution project - Completed
- b) Demand side Management project – project in commissioning stage
- c) Wembezi Node Upgrade - Dealing with Eskom and Siveni Developers – Project in Feasibility stage.
- d) Kwezi Hostel upgrade – Implementation stage
- e) Wembezi A Low Income Electrification Project (300) – Completed
- f) Canna Avenue New Development – Implementation stage
- g) Hospital Upgrade up to 2000KVA – Implementation stage
- h) Rensburgsdrift Streetlight Installation – Implementation stage
- i) Wembezi C Section Streetlight Installation – ingoing process
- j) Weenen Streetlights Installation and repairs – ongoing process in conjunction with Eskom.

Umtshezi Municipality within its licenced area of supply does not have Electrification backlogs however there is a rolling backlog where the houses are being built and are then connected as soon as the grant get given by DME.



However there are backlogs within the Eskom Area of supply. Currently the Municipality is connecting the Indigent Households and applying its indigent policy to provide free basic services.

HOUSEHOLDS AS WELL AS BUSINESS CONNECTED ARE AS DETAILED BELOW:

**Wembezi A Section – 300 new connections – Project Funded by DME**

New Domestic Connections – 67

Conversions from Credit Meter System to Prepaid Meter System– 35

Upgrades – 9

Indigent Connections Made - 90

## **9. MAJOR EVENTS**

During the last financial year ESKOM experienced major problems with capacity, which resulted in sporadic interruptions this then resulted in Eskom and Government identifying projects to reduce the load. UMTshezi Municipality was a recipient of that in that the Demand Side Management Project was implemented where all households in the town and the surroundings were installed with Ripple Control Devices to control the geysers. In excess of 3600 ripple control devices were installed.

The Project is in the commissioning stage now. Also this included the distribution of Compact Florescent Lamps [CFL] to those households that were installed with Geyser control unit. This will have the benefit of shifting load during pick period. This will not only add to the national pick demand reduction but will also reduce the pick demand of the municipality thus saving them on the monthly demand charge.

Eskom further ran a project to replace all the Tungsten Filament Lamps with CFLs. Approximately 11 000 CFLs were distributed throughout the uMTshezi Municipality.



## **10. MAINTENANCE / OPERATIONS**

The Department made use of a number of innovative technologies from data collection, substation automation, metering, protection etc to achieve our main task: uninterrupted quality supply of electricity.

The Department continued to make use of adequate computer programmes which is prerequisite and the Consultant have the expertise for that and regular Infrared Surveys of the equipment, transformer oil analysis and other innovative methods are used to ensure that Department operates efficiently.

Every connection in the system is metered by either credit or by prepayment meters. In case of a faulty meter reported, the meter is replaced immediately as we keep sufficient stock of any meter used in the system and meters are standardized to minimize stock. Regular on site test on credit meters are conducted and to reduce losses.

## **11. TAMPERING/ ILLEGAL USE OF ELECTRICITY**

Tampering with electricity and illegal connections are almost non-existent.

We are doing weekly and monthly inspections not just to clamp down on illegal connections but to also inform consumers as to the dangers thereof and also to help them to make their homes and keep their families safe.

When inspections are done homeowners are given a letter in English and Zulu that is explained to them and then signed by them to acknowledge that they understood and will adhere to the request of the department.



## **12. ELECTRICITY WORKSHOP**

The Department has a number of rules and regulations to ensure proper management of the Electricity Workshop area. This area sets an example on how house keeping and safety is to be conducted.

The workshop area is controlled well by the Electricity Department, maintenance of equipment within this area, stock of essential material etc. Vehicle checks are done on daily basis by drivers and weekly by the superintendents and daily time sheets are completed by the staff to keep record of their movements as well as the vehicles, daily tasks that are done and materials used.

## **13. ELECTRICITY SUPPLY INTERRUPTIONS**

Through the use of a preventive maintenance system introduced in this Municipality we have been able to minimize electrical breakdown.

We did not experience any major electricity problems on High and Medium Voltage level during the year except that the two Power Transformers at Sub 57 are aging and their tests indicates that they have reached the end of their life. Plans are in place to replace them during the Substation upgrade. The Municipality is just sorting the financing of the project.

Call-outs from customers with breakdowns are responded to and dealt with speedily and we extended our service beyond our supply point in order to give excellent service.

## **14. BACKLOGS**

## UMTSHEZI MUNICIPALITY



Currently the not yet electrified house holds are estimated at 2000. They are all within Eskom area of supply. Eskom has put a plan to electrify these households within the next three years however some have unresolved land ownership issues. The Municipality has made a decision to initiate the planning of the Rensburg Drift Area electrification under risk whilst the land issues are being resolved. This will streamline the process so that as soon as the land issues are resolved the electrification can immediately begin.

### **15. CHALLENGES FACED BY MUNICIPALITY WITH PLANS TO REMEDY THEM**

Due to the present work load that will only increase in the future the following hampers the department from delivering excellent service to the community:

- Aging vehicle fleet of the department, the Municipality is in a process of securing the fleet during the 2009/10 financial year.
- The position of senior manager electrical that has not been filled, internal staff are being trained to be able to take the responsibility. As a short term major, Consultants are being used to take responsibility of the running of the Electricity Department whilst building internal capacity. This is bearing fruits, and soon internal staff will be well equipped to take over the running of the electricity department.
- The uMtshezi Municipality is experiencing real electricity load growth, this will therefore need an increased staff compliment, the Municipality is training its own electricians and Technicians.
- In order to keep up with the demand growth the Municipality needs to increase capacity in its electrical infrastructure. The Municipality has applied for a loan

## UMTSHEZI MUNICIPALITY



from DBSA to upgrade substation 57. Unfortunately the process of approval of this loan has taken too long. The plan is now to go ahead and follow the process to procure the power transformers and only appoint the service provider as soon as the loan is approved.

### **16. MAJOR DEVELOPMENTS COMING IN FUTURE – FORWARD PLANNING**

Due to the town growth and expected Nestle Factory upgrade, plans are being put in place for a major upgrade of the electrical infrastructure to accommodate that. Main part of that is upgrade of Main intake Substation 57 with new 15 – 20 MVA transformer. Consultants has produced the specification and Tender has been prepared. Municipality has requested a loan from DBSA and process is almost completed to access the funding.

### **17. CONCLUSION**

08/09 has been a period of many challenges and the Municipality has also seen confidence from developers intending to partner with them to develop the town. The existing industries though affected by the economic meltdown but they have not shelved their plans to expand their operations.

As a result of this the Municipality as well as the Electricity Department is optimistic about the future of the town.

## UMTSHEZI MUNICIPALITY



# FINANCE

The 2008/09 financial year was a year in which there was much change. National elections were held, the new Property Rates Act needed to be implemented and the municipality had to prepare financial statements based on Generally Accepted Accounting Practice (GPAP) for the first time. These new acts and policies and the implementation was challenging which made for a very eventful year.

### **GRAP**

The uMtshezi Municipality is a medium capacity municipality. National Treasury had indicated that all medium capacity municipalities be GRAP compliant by 2008/09. This means that the reporting of financial information that was previously done on an IMFO basis (cash basis) would need to change and be in line with GRAP (accrual accounting).

A conversion of this magnitude is not easy and is time consuming. Provincial Treasury assisted the Municipality with the appointment of service providers, Ernst and Young, to assist the municipality with the conversion. Provincial Treasury had also assisted the Municipality with a 'top up' of our budget that we had allocated for the conversion to pay the service provider. This 'top up' amounted to more than R200,000.

The conversion started in April 2009 and ended at the end of August 2009 with the submission of the annual financial statements to the Auditor-General. The uMtshezi Municipality worked together with Ernst and Young during this process and are proud to report that the process was well planned and ran smoothly. The result was that a GRAP compliant set of financial statements was submitted to the Auditor-General.

### **MPRA**

The Municipal Property Rates Act (MPRA) was in the development stage during 2008/09 in order for full implementation to occur on 01 July 2009. This included the development of a rates policy and the valuation of all properties in uMtshezi resulting in a valuation roll of properties valued at market value and categorized as per the new rates policy.

The major changes to the previous ordinance were the valuation of properties at market value, the inclusion of agricultural properties and the rating of individual units in a sectional title.

The new valuation of properties and the rates policy sparked huge debate amongst the community and several public meetings were convened to address those concerns and to inform the public of the new changes. These meetings were well attended compared to the public meetings held to discuss the rates policy. Less than fifty (50) queries and comments were received for the rates policy whilst open for public comment, but over one thousand (1000) objections were obtained with regard to the valuation of properties.

## UMTSHEZI MUNICIPALITY



The maintenance of the valuation roll is a continuous process. Most of the objections had been resolved at year end and two amended rolls had been issued. Currently the municipal valuers are revisiting the commercial category and some adjustments have already been done.

### SIYENZA MANJE

During the financial year, the municipality was approached by Provincial Treasury to have deployees at the municipality to assist with capacity. These deployees were part of a Siyenza Manje project where assistance is given to municipalities at no charge. The Siyenza Manje deployees were representing three organizations – Ernst & Young, Provincial Treasury and the Development Bank of South Africa (DBSA).

The deployees have been a great asset to the municipality and have assisted in the following areas:

- Analysis of the finance section and the development of an action plan to rectify weaknesses
- The development of policies and procedures
- Assisting with the development of internal controls
- Assistance with MFMA checklists
- General assistance with daily operations

The team is currently assisting the municipality with controls relating to asset and fleet management.

### CONSUMER DEBT

One of the major challenges of the uMtshezi Municipality is the outstanding debt relating to arrears accounts from consumers. Below is an age analysis of the debt outstanding at year end:

#### AGE ANALYSIS AS AT 30 JUNE 2009

##### SERVICES

	CURRENT	30 DAYS	60 DAYS	90 DAYS	TOTAL
ELECTRICITY	3,793,803	458,912	222,661	0	4,475,376
REFUSE	200,765	163,699	155,642	6,601,503	7,121,609
SUNDRY	636,767	27,918	37,465	2,900,953	3,603,103
RATES	1,951,401	865,187	1,226,947	46,934,009	50,977,544
	<b>6,582,736</b>	<b>1,515,716</b>	<b>1,642,715</b>	<b>56,436,465</b>	<b>66,177,632</b>

## UMTSHEZI MUNICIPALITY



### DEBTOR TYPE

DOMESTIC	45,000,487
GOVERNMENT	5,321,342
MUNICIPAL	1,165,556
BUSINESS	5,765,944
INDUSTRIAL	3,325,915
COMMERCIAL	393,895
SUNDRY	642,646
INDIGENT	4,097,484
AGRICULTURAL	464,363
	<b>66,177,632</b>

From the above schedules most of the outstanding debt relates to rates which is owed by residential or domestic consumers.

During the financial year, ZMS, a debt collection company, was assisting the municipality in recovering the debt. However, the debt was not significantly reduced. The municipality had embarked on some aggressive debt collection mechanisms that resulted in the debt stabilising. This was a huge achievement as the debt was constantly increasing. The difficulty that the municipality has is that many of the defaulting consumers do not have a culture of payment for services.

In trying to reduce the debt, the municipality had done the following:

- Offered incentives to consumers whose accounts were in arrears with an objective of trying to assist the consumers and ultimately achieve a culture of payment
- Consolidated all municipal accounts as per the credit control policy and disconnected electricity supply for outstanding rates and services
- Consumers with long outstanding debt were handed over
- Consumers assets were auctioned to recover these arrear amounts
- Summonses and judgements were issued
- There were sales in execution

Consumers who paid their municipal accounts regularly, received a 15% incentive in May 2009.

An analysis of our debtors was also done by debt analysts that assisted us in categorizing the debt into easily receivable to amounts to be written off. This we believe will assist us in retrieving outstanding debt by channeling our time effectively on consumers who can pay, than spending 90% of our resources on debt that we would never receive and which should be written off.

We have also developed a debt recovery strategy and we believe that this will assist us in reducing the debt in the next financial year.

## UMTSHEZI MUNICIPALITY



### GRANTS

The Municipality receives a large amount of funds from grants. The municipality had spent most of the funds from the grants and met most of the conditions. The only one outstanding was the Municipal Infrastructure Grant (MIG) that was partially spent. Huge strides have been made currently and more funds will be received.

Name of Grant	1 July 2008 to 30 June 2009			
	Opening balance	Receipt	Expenditure	Closing Balance
MIG Grant	1,541,355	3,899,000	(3,943,613)	1,496,742
DME Grant	0	1,200,000	(1,179,873)	20,127
MAP Grant	521,817	400,000	(346,727)	575,090
MSIG Grant	1,206	1,275,000	(1,276,206)	0
FMG	380,294	500,000	(392,644)	487,650
Hostel Development	23,384,943	0	(13,771,059)	9,613,884
Good Governance Grant	0	500,000	0	500,000
<b>Total</b>	<b>25,829,615</b>	<b>7,774,000</b>	<b>(20,910,122)</b>	<b>12,693,493</b>

The annual financial statements detail the grants received in more detail.

### DISCLOSURE OF SALARIES

The disclosure of salaries by councilors and senior managers is one the requirements for the notes of the annual financial statements as per GRAP standards. The disclosure of this information is also encouraged in the guidelines for annual reports and makes the council and officials responsible to the community that they serve. Below is a schedule disclosing salaries and allowances of councilors, directors and senior managers.

## UMTSHEZI MUNICIPALITY



Description	Mayor	Deputy Mayor	Speaker	Executive Committee Members	Ordinary Councillors	Other Sec 57	TOTAL
<b>Salaries and Wages R</b>							
Normal	389,023.00	311,219.00	311,219.00	160,473.00	1,167,060.00	1,336,406.00	3,675,400.00
Overtime	-	-	-	-	-	-	-
<b>Contributions R'000</b>							
Pension and Medical Aid	58,353.00	56,624.00	46,683.00	24,071.00	144,816.00	14,926.00	345,473.00
Allowances Other (Performance & Leave pay)	15,984.00	15,984.00	15,984.00	9,972.00	99,720.00	11,462.00	169,106.00
	-	-	-	-	-	257,082.00	257,082.00
<b>Allowances R</b>							
Travel & Motor Car	129,867.00	103,739.00	103,739.00	53,490.00	389,020.00	194,288.00	974,143.00
Accommodation	-	-	-	-	-	150,593.00	150,593.00
Subsistence	3,987.00	1,700.00	6,551.00	575.00	1,026.00	45,674.00	59,513.00
<b>TOTALS</b>	<b>597,214.00</b>	<b>489,266.00</b>	<b>484,176.00</b>	<b>248,581.00</b>	<b>1,801,642.00</b>	<b>2,010,431.00</b>	<b>5,631,310.00</b>



### CONCLUSION

There had been many developments, changes and adjustments in the finance department for 2008/09. The finance department had managed to implement the MPRA, prepare GRAP compliant financial statements, prepare an asset register, stabilise the debt and introduce new internal controls and procedures in the department. The challenges that were faced enabled the department to grow and initiate new processes in order to be more efficient. The department will continue to grow in pursuit of excellence.



# CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

## AUDITOR'S REPORT

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the uMtshezi Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

#### The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) 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.

#### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

## UMTSHEZI MUNICIPALITY



auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uMtshezi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMtshezi Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA.

### **Emphasis of matters**

Without qualifying my opinion, I draw attention to the following matters:

#### **Irregular expenditure**

9. As disclosed in note 39 to the financial statements, irregular expenditure to the amount of R349 899 was incurred, as the supply chain management process was not followed.

#### **Restatement of corresponding figures**

10. As disclosed in note 1 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/2009 in the financial statements of the municipality at and for the year ended 30 June 2008.

### **Other matters**

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

## UMTSHEZI MUNICIPALITY



### Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

### Key governance responsibilities

12. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input type="checkbox"/>	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	<b>Audit committee</b>		
	• The municipality had an audit committee in operation throughout the financial year.	<input type="checkbox"/>	
	• The audit committee operates in accordance with approved, written terms of reference.	<input type="checkbox"/>	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	<input type="checkbox"/>	
7.	<b>Internal audit</b>		
	• The municipality had an internal audit function in operation throughout the financial year.	<input type="checkbox"/>	
	• The internal audit function operates in terms of an approved internal audit plan.	<input type="checkbox"/>	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the	<input type="checkbox"/>	

## UMTSHEZI MUNICIPALITY



No.	Matter	Y	N
	MFMA.		
12.	Delegations of responsibility are in place, as set out in 79 of the MFMA.	<input type="checkbox"/>	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input type="checkbox"/>	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the uMtshezi Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

13. Key officials have been available throughout the audit to offer assistance, thus enabling the municipality to timeously provide a clear trail of supporting documents; however weaknesses in the internal controls were identified. As a result material adjustments to the amounts and disclosures notes in the financial statement were performed.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Report on performance information

14. I have reviewed the performance information as set out on pages xx to xx.

#### The accounting officer's responsibility for the performance information

15. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### The Auditor-General's responsibility

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

## UMTSHEZI MUNICIPALITY



### APPRECIATION

19. The assistance rendered by the staff of the uMtshezi Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**UMTSHEZI MUNICIPALITY**



# **ACTION PLAN FOR AUDIT CONCERNS**

**UMTSHEZI MUNICIPALITY**



Finding	Action plan	Implementation Date	Accountable Executive	Status
<p><b>SIGNIFICANT FINDINGS</b></p>				
<p>1. Material misstatements that arose from a difference between the amount, classification or presentation of a reported financial statement item and the amount, classification or presentation that is required for the item to be in accordance with applicable legislation.</p>	<p>We plan to prepare interim financial statements were errors can be detected timeously. This would also assist us in resolving whether or not items are correctly classified.</p>	<p>01 January 2010</p>	<p>CFO</p>	
<p><b>A. Non compliance with applicable legislation</b></p>				
<p><b>Municipal Finance Management Act</b></p>				
<p>2. Section 65(2)(e) of the MFMA was not complied with, in that it could not be verified whether the supplier was paid within 30 days of receipt of invoice.</p>	<p>All invoices will be date stamped on receipt thereof</p>	<p>Immediate effect</p>	<p>Accountant: Expenditure</p>	<p>Currently in progress. All invoices are stamped by the PA office.</p>
<p>3. Chapter 1 "irregular expenditure" of the MFMA. The municipality incurred irregular</p>	<p>The irregular expenditure for the 2008/09 financial year will be approved at the next council</p>	<p>Immediate effect</p>	<p>CFO, SCM Manager</p>	

**UMTSHEZI MUNICIPALITY**



Finding	Action plan	Implementation Date	Accountable Executive	Status
<p>expenditure with regards to non-compliance with the SCM policy.</p>	<p>meeting. Also, measures will be put in place to ensure that there is no irregular expenditure and to ensure that all irregular expenditure already incurred is approved by council.</p>			
<p><b>Basic Conditions of Employment Act</b></p>				
<p>4. Contrary to Section 10 of the Basic Conditions of Employment Act, the municipality did not comply as employees are working more than 10 hours overtime per week.</p>	<p>Employees will be limited to 10 hours of overtime per week.</p>	<p>01 November 2009</p>	<p>All Head of Departments</p>	
<p><b>Municipal Supply Chain Management Regulations (SCM Regulations)</b></p>	<p>All emergency orders and urgent orders will be authorized by the relevant official.</p>	<p>Immediate effect</p>	<p>SCM Manager</p>	
<p>5. Section 39(1) of the Municipality's Supply Chain</p>				

**UMTSHEZI MUNICIPALITY**



Finding	Action plan	Implementation Date	Accountable Executive	Status
<p>Management Policy was not complied with, in that emergency orders were not authorized by the delegated official.</p>				
<p>6. Section 12(1) of the SCM policy was not complied with, three quotations were not obtained.</p>	<p>In the instance where less than three are obtained, the relevant official will authorize them</p>	<p>Immediate effect</p>	<p>CFO and SCM Manager</p>	
<p><b>Human Resource Policy</b></p> <p>7. Section 1.5.3 of the Municipality's HR policy was not complied with, posts regarding new appointments were not advertised.</p>	<p>All new posts will be advertised, interviews held and positions filled. The exception would be with internal promotions that would be processed via the Promotions Policy.</p>	<p>01 November 2009</p>	<p>HR Manager</p>	
<p>8. Section 1.5.4 of the Municipality's HR policy was not complied with, employees were appointed without CV's.</p>	<p>All posts filled would have to be filled by employees that have submitted their CV's.</p>	<p>01 November 2009</p>	<p>HR Manager</p>	
<p>10. Section 1.5.5. of the municipality's HR Policy was not complied with; there was no short listing for newly appointed</p>	<p>All new posts will be advertised, candidates shortlisted, interviews held and positions filled. The exception would be with internal</p>	<p>01 November 2009</p>	<p>HR Manager</p>	

**UMTSHEZI MUNICIPALITY**



<b>Finding</b>	<b>Action plan</b>	<b>Implementation Date</b>	<b>Accountable Executive</b>	<b>Status</b>
posts	promotions that would be processed via the Promotions Policy.			
<b>Other Important Matters</b>				
11. Excessive sundry payments	The amount of sundry payments will be reduced. Most orders for goods and services will be generated on the Venus system.	01 November 2009	Accountant and Expenditure SCM Manager	
12. No manual goods received note	Goods received notes will be processed by the stores manager when the goods are received.	01 November 2009	Stores manager and Accountant Expenditure	
13. Employees are working more than the maximum 10 hours overtime per week	Overtime limited to 10 hours per week	01 November 2009	HOD's	
14. Employees are retaining over the maximum of 48 days annual leave at the end of the leave cycle.	At the end of the leave cycle, HR should identify those individuals who exceed the 48 days accumulated leave limit and forfeit any additional leave days.	01 December 2009	HR Manager	
15. No supporting documentation for S&T claims	All supporting documentation will be attached to all S&T claims	01 November 2009	HOD's	
16. Disposal of council houses. One property was not sold.	The house not auctioned will be deemed to a fringe benefit to the employee occupying the house.	01 July 2009	CFO	

**UMTSHEZI MUNICIPALITY**



<b>Finding</b>	<b>Action plan</b>	<b>Implementation Date</b>	<b>Accountable Executive</b>	<b>Status</b>
17. Debtors not being debited upon receipt of R/D cheques	Daily bank statements will be inspected for R/D cheques. R/D cheques identified will then be entered in the R/D register. This register will be reviewed by a senior official.	01 November 2009	Accountant Income	
18. Housing Rental – fringe benefit not accounted for	The fringe benefit will be included in the staff member's IRP 5. A rental agreement will be drawn up.	Immediate effect	CFO	

19. Bank reconciling items not cleared on a timely basis	All reconciling items on the bank reconciliation will be cleared timeously. All long outstanding reconciling items will be investigated.	01 November 2009	Accountant Expenditure and CFO	
20. Debt write off. The individual debtors affected by the write off were not individually credited.	All debtors affected will have their individual accounts credited.	Immediate effect	Accountant Income	
21. Negative and positive balances of output vat	These balances will be investigated and if errors are found, will be corrected	01 November 2009	CFO	
22. Input vat claimed for zero rated and exempt supplies	These votes will be investigated and if errors are	01 November 2009	CFO	

**UMTSHEZI MUNICIPALITY**



	found, will be corrected				
23. High vacancy rate in the finance department	A strategy will be developed in filling the vacant positions	01 February 2010	CFO		
24. Controls over mayoral use of motor vehicle	The use of the mayoral vehicle by the mayor will be deemed a fringe benefit and included in his IRP 5.	01 November 2009	CFO		



# AUDIT COMMITTEE REPORT

We, the Audit Committee, take pleasure in presenting this DRAFT report to the management and Council of the Mtshezi Municipality for the year 2008/2009, as required in terms of the Auditor- General's time-lines. The final report will be submitted upon receipt of the annual report of the Auditor-General, which should be available before the 30/11/2009.

## THE LEGAL STANDING OF THE AUDIT COMMITTEE

The Mtshezi Audit Committee was established in terms of Sec 166 of the Municipal Finance Management Act and consists of 3 (three) members as listed below :

1. **Mr C I Narrandes**
2. **Mr N S Mchunu**
3. **Mr B B Sithole**

The appointments were made in January, 2008, and Mr C I Narrandes serves as Chairperson. Regular meetings have been held in this financial year and the issue of non-compliance of the previous financial year has been addressed and terms and conditions have been met as a result of the cooperation and assistance of the Municipal Manager , Mrs N Njoko, the Chief Financial Officer, Mrs N Thomas and other members of staff who have contributed to the turn around. Although improvement has been significant, a more sustained and intensive effort needs to be achieved to solidify the sound base that has recently been put in place.

## INTERNAL AUDIT CHARTER

The Committee operates within the terms and conditions of the Internal Audit Charter of the Mtshezi Municipality, which was established in terms of Sec. 166 of the Municipal Finance Management Act No. 55 of 2003.

The responsibilities of the Audit Committee as contained in Sec 166 of the MFMA which states :

1. An Audit Committee is an advisory body which must –
  - (a) advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –
    - (i) internal financial control and internal audits
    - (ii) risk management
    - (111) accounting policies

## UMTSHEZI MUNICIPALITY



- (iv) the adequacy, reliability and accuracy of financial reporting and information
  - (v) performance management
  - (vi) effective governance
  - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
  - (viii) performance evaluation; and
  - (ix) any other issues referred to it by the municipality or municipal entity
- (b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the Annual Division of Revenue Act and any other applicable legislation
- (c) respond to the council on any issues raised by the Auditor-General in the audit report.

I have included this detailed break-down of the Audit Charter and the responsibilities of the Audit Committee contained in it, in order to make councilors aware of the terms and conditions and responsibilities that the Committee works within and adheres to. I have had queries regarding the scope of our responsibilities and it may be necessary to organize a workshop to enlighten councilors and interested officials of the role of Audit Committees in municipalities.

I also suggest that the Auditor-General looks into the possibility of arranging a workshop or seminar especially for Audit Committee members so that we are able to uplift our performance, to meet the necessary requirements in a constructive manner and with common methodology, across all municipalities and municipal entities. I would take care not to cram too much into long sessions, in order to fast-track the completion of the event, if this suggestion is considered worthy of being acted upon.

### **AUDIT COMMITTEE MEETINGS**

As stated earlier there has been a vast improvement in this area of responsibility. Regular meetings have been held and issues and responsibilities as listed in the Charter are being dealt with on a more organized and regular basis. Amongst the issues dealt with are the following :

- Auditor-Generals Report for 2007/2008
- Internal Audit Reports
- Risk Management
- Performance Management
- Quarterly Reports
- GRAP

## UMTSHEZI MUNICIPALITY



### - Compliance

And various other matters that required our attention.

A most welcome feature of our meetings has been the attendance of members of the Auditor-General's office at all meetings since the beginning of 2009. Their attendance and advice given, enhances our capacity to identify and address irregularities and other problems that arise early, thus eliminating many of the problems that would otherwise have an effect on our External Audit. We look forward to their continued participation in our Audit Meetings.

### INTERNAL AUDIT

The delay in the appointment of the Internal Auditors reared it's head once again and this important area of financial, risk and performance management needs to be addressed more timeously in future. PriceWaterhouse Coopers need to be applauded for their commitment despite the delay in obtaining confirmation of the renewal of their contract.

The matter of responses to requirements of the internal audit committee needs attention. Delays in the receipt of reports will be obviated if this is done timeously.

We re-iterate our previous position regarding an improved budget to widen the area of responsibility of PriceWaterhouse Coopers. This will enhance the quality of our internal audit and ensure financial matters are looked on a much broader scale thereby ensuring an unqualified audit with limited comment.

### PERFORMANCE AUDIT

Although the same members serve on this committee, it s necessary to address this area of concern separately from Audit Committee responsibilities as set out in the Audit Committee Charter. This area has not been adequetly addressed. A more concentrated effort must be implemented in the new financial year.

### AUDIT COMMITTEE RECOMMENDATIONS TO COUNCIL

**1.** Various problem areas have been identified especially in the area of **internal control weaknesses** identified by the internal audit, and we recommend that prompt attention should be directed to the following areas :

- Pre-paid electricity ;
- Property rates ;
- Payroll ;
- Human resources ;
- Council fleet management ;
- Procurement (including Tenders and Contracts)
- Inventory and

## UMTSHEZI MUNICIPALITY



- Receipting and banking

**2. Improvements in the implementation of the Organizational Performance Management System** should continue to be made , specifically in the following areas :

- Addressing the shortcomings noted by internal audit;
- Organizational performance planning should be integrated with the budgetary processes to facilitate the timely completion of the scorecard, service delivery budget implementation plan and performance plans;
- Quarterly organizational performance reporting to Council should be in the same format as the IDP scorecard. Under-performance and remedial actions should be proposed/taken and recorded on a more timely basis.

**3. Short-comings in the Debt Collection Plans** reported by ZMS Management Solutions (as reported by internal audit as part of their Quarter 4 performance management report) should be investigated by Council.

**4. Risk Management** should be performed formally on an annual basis as part of the IDP review process. This should be monitored and reported on, on a monthly basis.

### AUDIT COMMITTEE CONCERNS

A matter of major concern to the committee is the lack of adequate funding that impacts negatively on the scope of the internal audit as mentioned earlier. This lack of funding also affects the functioning of the audit committee as it limits our ability to fulfill the responsibility contained in the MFMA and the Audit Committee Charter. We once more recommend that additional funding be made available to increase the scope of our respective duties and to cater for specific investigations that may become necessary.

*C I Narrandes*

**UMTSHEZI MUNICIPALITY**



# **ANNUAL FINANCIAL STATEMENTS**

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**ANNUAL REPORT 2008/2009**

# UMTSHEZI MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

2008/2009



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## **Accounting Officer's Responsibilities and Approval**

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

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

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

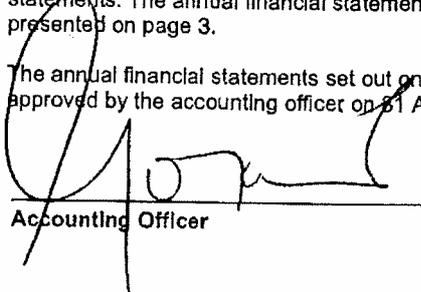
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the council 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 municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 37, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:

  
Accounting Officer



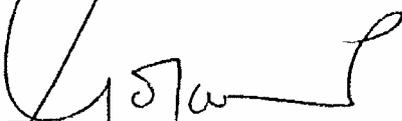
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## **Approval of Annual Financial Statements**

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I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 36, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 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.



\_\_\_\_\_  
Municipal Manager:

August 31, 2009

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Position

	Note(s)	2009 R	2008 R
<b>Assets</b>			
Current Assets			
Inventories	7	368,540	796,532
Trade and other receivables	8	4,074,620	1,100,907
VAT receivable	9	3,762,517	-
Consumer debtors	10	48,518,655	51,240,844
Financial assets - Investments	6	9,307,926	23,940,570
Cash and cash equivalents	11	3,147,727	4,553
		<b>69,179,985</b>	<b>77,083,406</b>
Non-Current Assets			
Property, plant and equipment	2	625,529,131	624,020,665
Loans and receivables	4	725,818	1,273,687
Financial assets - Investments	6	331,118	4,329,251
		<b>626,586,067</b>	<b>629,623,603</b>
Non-Current Assets		626,586,067	629,623,603
Current Assets		69,179,985	77,083,406
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>695,766,052</b>	<b>706,707,009</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	12	732,955	732,955
Trade and other payables	16	27,230,003	15,000,716
VAT payable	17	-	211,187
Consumer deposits	18	2,041,324	1,720,451
Unspent conditional grants and receipts	13	12,693,493	25,829,615
Provisions	14	3,513,465	3,436,625
Bank overdraft	11	-	3,456,069
		<b>46,211,240</b>	<b>50,387,618</b>
Non-Current Liabilities			
Finance lease obligation	12	1,428,859	2,059,213
Interest bearing borrowings	15	2,205,000	-
		<b>3,633,859</b>	<b>2,059,213</b>
Non-Current Liabilities		3,633,859	2,059,213
Current Liabilities		46,211,240	50,387,618
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>49,845,099</b>	<b>52,446,831</b>
Assets		695,766,052	706,707,009
Liabilities		(49,845,099)	(52,446,831)
<b>Net Assets</b>		<b>645,920,953</b>	<b>654,260,178</b>
<b>Net Assets</b>			
Reserves			
Dedicated housing fund		1,095,261	1,222,427
Accumulated surplus		644,825,692	653,037,751
<b>Total Net Assets</b>		<b>645,920,953</b>	<b>654,260,178</b>

## uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

### Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue	19	156,741,757	110,634,857
Cost of sales		(54,752)	(26,189)
Revenue		156,741,757	110,634,857
Cost of sales		(54,752)	(26,189)
<b>Gross surplus</b>		<b>156,687,005</b>	<b>110,608,668</b>
Other income	23	858,425	38,278
Operating expenses		(160,061,862)	(112,209,463)
		156,687,005	110,608,668
		(159,203,437)	(112,171,185)
<b>Operating deficit</b>		<b>(2,516,432)</b>	<b>(1,562,517)</b>
Finance costs	29	(491,302)	(303,136)
Profit (loss) for the period from continuing operations		(3,007,734)	(1,865,653)
Profit (loss) from discontinued operations		-	-
<b>Deficit for the year</b>		<b>(3,007,734)</b>	<b>(1,865,653)</b>

## uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

### Statement of Changes in Net Assets

	Dedicated housing func R	Accumulated (deficit) / surplus R	Total net assets R
<b>Balance at 01 July 2007</b>	<b>1,325,190</b>	<b>(42,759,328)</b>	<b>(41,434,138)</b>
Changes in net assets			
Current year movements	(102,763)	-	(102,763)
Change in accounting policy	-	697,465,792	697,465,792
Prior year error	-	196,940	196,940
Net income (expenses) recognised directly in net assets	(102,763)	697,662,732	697,559,969
Deficit for the year	-	(1,865,653)	(1,865,653)
Total recognised income and expenses for the year	(102,763)	695,797,079	695,694,316
Total changes	(102,763)	695,797,079	695,694,316
<b>Balance at 01 July 2008</b>	<b>1,222,427</b>	<b>653,037,751</b>	<b>654,260,178</b>
Changes in net assets			
Deficit for the year	-	(3,007,734)	(3,007,734)
Current year movements	(127,166)	-	(127,166)
Correction of previous misstatements	-	(5,204,325)	(5,204,325)
Total changes	(127,166)	(8,212,059)	(8,339,225)
<b>Balance at 30 June 2009</b>	<b>1,095,261</b>	<b>644,825,692</b>	<b>645,920,953</b>

Note(€)

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Cash Flow Statement

	Note(s)	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		149,057,997	101,633,184
Cash paid to suppliers and employees		(133,641,405)	(105,189,296)
Cash generated from (used in) operations	34	15,416,592	(3,556,112)
Finance costs		(491,302)	(303,136)
Decrease in housing fund		(127,166)	(102,763)
<b>Net cash from operating activities</b>		<b>14,798,124</b>	<b>(3,962,011)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(20,451,141)	(13,444,129)
Sale of property, plant and equipment	2	1,722,750	-
Sale of financial assets - investments		18,630,777	16,509,500
Decrease in loans and receivables		547,869	1,081,289
Interest received		2,591,467	1,365,686
Decrease in government grants		(13,136,122)	(13,097,075)
<b>Net cash from investing activities</b>		<b>(10,094,400)</b>	<b>(7,584,729)</b>
<b>Cash flows from financing activities</b>			
Increase in interest bearing borrowings		2,205,000	-
Increase in consumer deposits		320,873	50,624
(Decrease) / Increase in finance lease obligation		(630,354)	2,792,168
<b>Net cash from financing activities</b>		<b>1,895,519</b>	<b>2,842,792</b>
<b>Total cash movement for the year</b>		<b>6,599,243</b>	<b>(8,703,948)</b>
Cash at the beginning of the year		(3,451,516)	5,252,432
<b>Net increase (decrease) in cash and cash equivalents</b>	11	<b>3,147,727</b>	<b>(3,451,516)</b>

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). As this is the first year of adoption of GRAP, the prior year comparatives have been restated to comply with the GRAP framework, which has resulted in full retrospective application.

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

In adopting GRAP, the municipality has taken advantage of certain of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009. The application of these transitional provisions is detailed in each policy to which the Directive applies.

#### 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:

##### Trade receivables and loans and receivables

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

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

##### Fair value estimation

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

##### Provisions

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

##### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

##### 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.

##### Directive 4

As allowed by the transitional provisions included in Directive 4, the following asset classes have not been measured in accordance with the relevant GRAP for the year ended June 30, 2009:

Inventories	(GRAP 12)
Property, Plant and Equipment	(GRAP 17)
Intangible assets	(GRAP 102)

Management has estimated provisional amounts for each of these asset classes which are included in the statement of

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

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

financial position. These amounts are subject to change once the measurement process has been completed, which is expected to occur by June 30, 2010.

### 1.2 Property, plant and equipment

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

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

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.

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Item	Average useful life
Property & Permanent Works	30 years
Plant & Equipment	10 years
Vehicles	7 years
Office Equipment & Furniture	7 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

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 shall be 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.

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.

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009.

Property, plant and equipment have therefore not been measured in accordance with GRAP 17 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 17 measurement process is completed. It is anticipated that this process will be completed by June 30, 2010.

### 1.3 Site restoration and dismantling cost

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

# uMtshezi Municipality

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### 1.3 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. 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 every period-end.

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

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### 1.4 Intangible assets (continued)

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

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

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

Item	Useful life
Computer software	5 years

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.

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009.

Intangible assets have therefore not been measured in accordance with GRAP 102 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 102 measurement process is completed. It is anticipated that this process will be completed by June 30, 2010.

### 1.5 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

#### Initial recognition and measurement

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

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

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

Transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

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

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

#### Loans to employees

These financial assets are classified as loans and receivables.

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### 1.5 Financial instruments (continued)

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents and other financial assets

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash and cash equivalents are initially recorded at fair value and subsequently recorded at amortised cost as a loan receivable.

#### Bank overdraft, borrowings and trade and other payables

Bank overdrafts, borrowings and trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

#### Derecognition

##### Financial assets

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

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

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

# **uMtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2009

## **Accounting Policies**

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### **1.5 Financial instruments (continued)**

the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **Financial liabilities**

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

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

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### **1.6 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.

#### **Finance leases – lessee**

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

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

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 on the remaining balance of the liability.

#### **Operating leases - lessor**

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

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

#### **Operating leases – lessee**

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## **Accounting Policies**

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### **1.6 Leases (continued)**

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. This liability is not discounted.

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

### **1.7 Inventories**

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

The cost of inventories comprises of all costs of purchase.

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009.

Inventories have therefore not been measured in accordance with GRAP 12 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be completed by June 30, 2010.

### **1.8 Impairment of assets**

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Impairment of assets has not been performed as the transitional provisions in Directive 4 relating to the exemption of measurement of all assets have been applied.

### **1.9 Employee benefits**

#### **Short-term employee benefits**

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## Accounting Policies

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### 1.9 Employee benefits (continued)

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.

#### Retirement benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are treated as defined contribution plans by the municipality as allowed by IAS 19 Employee benefits. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds.

### 1.10 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

### 1.11 Government grants

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

# uMtshezi Municipality

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## Accounting Policies

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### 1.12 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 statement of financial position 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 associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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

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

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

Revenue from the issuing of fines is recognised when:

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

# **uMtshezi Municipality**

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## **Accounting Policies**

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Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

### **1.14 Grants, transfers and donations**

Grants and donations are recognised as revenue when:

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

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

### **1.15 Investment income**

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

### **1.16 Borrowing costs**

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

### **1.17 Comparative figures**

Comparative figures have been restated as a result of the implementation of GRAP.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure means:

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

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

### **1.19 Fruitless and wasteful expenditure**

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

# **uMtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2009

## **Accounting Policies**

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### **1.19 Fruitless and wasteful expenditure (continued)**

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

### **1.20 Irregular expenditure**

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

### **1.21 Use of Estimates**

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

### **1.22 Presentation Currency**

These annual financial statements are presented in South African Rand.

### **1.23 Offsetting**

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

### **1.24 Housing development fund**

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

### **1.25 Internal Reserves**

#### **Capitalisation reserve**

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

## **uMtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2009

### **Accounting Policies**

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#### **1.26 Housing subsidies**

The entity provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

#### **1.27 Purchase of Service**

The entity provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

#### **1.28 Gratuities**

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

#### **1.29 Conditional Grants and receipts**

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

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Property and permanent works	671,615,897	(71,812,269)	599,803,628	671,257,386	(56,181,368)	615,076,018
Plant and equipment	6,317,131	(4,263,838)	2,053,293	6,228,758	(4,006,599)	2,222,159
Motor vehicles	3,603,892	(3,424,937)	178,955	3,603,892	(3,373,314)	230,578
Office equipment and furniture	10,272,179	(6,940,424)	3,331,755	10,052,574	(6,177,572)	3,875,002
Capital work in progress	17,976,654	-	17,976,654	-	-	-
Finance lease assets	3,024,433	(839,587)	2,184,846	3,024,433	(407,525)	2,616,908
<b>Total</b>	<b>712,810,186</b>	<b>(87,281,055)</b>	<b>625,529,131</b>	<b>694,167,043</b>	<b>(70,146,378)</b>	<b>624,020,665</b>

### 2. Property, plant and equipment

#### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Property and permanent works	615,076,018	2,166,511	(1,722,750)	(15,716,151)	599,803,628
Plant and equipment	2,222,159	88,372	-	(257,238)	2,053,293
Motor vehicles	230,578	-	-	(51,623)	178,955
Office equipment and furniture	3,875,002	219,604	-	(762,851)	3,331,755
Capital work in progress	-	17,976,654	-	-	17,976,654
Finance lease assets	2,616,908	-	-	(432,062)	2,184,846
	<b>624,020,665</b>	<b>20,451,141</b>	<b>(1,722,750)</b>	<b>(17,219,925)</b>	<b>625,529,131</b>

#### Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Other changes, movements	Depreciation	Total
Property and permanent works	50,254,414	8,528,045	560,270,335	(3,976,776)	615,076,018
Plant and equipment	2,191,290	253,527	-	(222,658)	2,222,159
Motor vehicles	307,353	-	-	(76,775)	230,578
Office equipment and furniture	1,116,314	3,288,190	-	(529,502)	3,875,002
Finance lease assets	1,630,422	1,374,367	-	(387,881)	2,616,908
	<b>55,499,793</b>	<b>13,444,129</b>	<b>560,270,335</b>	<b>(5,193,592)</b>	<b>624,020,665</b>

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009.

Property, plant and equipment have therefore not been measured in accordance with GRAP 17 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 17 measurement process is completed. It is anticipated that this process will be completed by June 30, 2010.

#### Assets subject to finance lease (Net carrying amount)

Finance lease assets	2,184,846	2,616,908
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#### Revaluations

Revaluations were performed by an independent valuer, Mills Fitchet (Natal) (Pty) Ltd. Mills Fitchet (Natal) (Pty) Ltd are not connected to the entity. The effective date of the revaluations was July 01, 2008, however the revaluations were adopted by the Municipality by June 30, 2008.

Land and buildings are revalued independently every five years.

The carrying value of the revalued assets under the cost model would have been:

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>2. Property, plant and equipment (continued)</b>		
Land and buildings	567,149,208	566,435,308

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.

### 3. Intangible assets

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	100,000	(100,000)	-	100,000	(100,000)	-

### 4. Loans and receivables

#### Loans and receivables

Loan debtors	2,409,415	2,369,906
Debtors loans have a fixed term of 30 years. Loan debtors relating to council houses are allowed a discount to a maximum of R55 706. Any remaining balance is written off as a bad debt.		
Housing debtors	184,274	105,127
The leases for housing debtors will terminate by mutual agreement or eviction by non payment. In terms of the enhanced extended discount benefit scheme (EEDBS), housing debtors automatically receive ownership of homes.		
Loans and receivables (provision for write down)	2,593,689 (1,867,871)	2,475,033 (1,201,346)
	<b>725,818</b>	<b>1,273,687</b>
	-	-
	-	-
	-	-
	725,818	1,273,687
<b>Non-current assets</b>		
Loans and receivables	725,818	1,273,687
Non-current assets	725,818	1,273,687
Current assets	-	-

The municipality has determined that the carrying value of financial assets approximates fair value. The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

### 5. Retirement benefits

All municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province.

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.

Municipal employees are also members of the Kwazulu-Natal Joint Municipal Provident Fund. All contributions have been included in the employee related cost note.

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>6. Financial assets - Investments</b>		
<b>Non current portion</b>		
<b>First National Bank</b>		
Call account	250,303	204,518
Business fixed deposit	24,029	24,029
Fixed deposit	11,000	11,000
Fixed deposit	14,000	14,000
<b>Other</b>		
ABSA call account	1,122	1,057
Nedbank fixed deposit	15,464	15,464
Borough of Dundee	15,200	15,200
Liberty Life	-	4,043,983
	<b>331,118</b>	<b>4,329,251</b>
<b>Current portion</b>		
FNB Fixed maturity notice account	9,307,926	23,940,570
<b>7. Inventories</b>		
Consumable stores	368,540	796,532
<p>The municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended June 30, 2009. Inventories have therefore not been measured in accordance with GRAP 12 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be completed by June 30, 2010.</p>		
<b>8. Trade and other receivables</b>		
Prepayments	25,046	25,046
Accrued income	-	44,619
Sundry debtors	4,049,574	1,031,242
	<b>4,074,620</b>	<b>1,100,907</b>
<b>9. VAT receivable</b>		
VAT refundable	3,762,517	-
<p>In the prior year VAT was a payable. Refer Note 17.</p>		
<b>10. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	47,935,212	41,536,405
Electricity	7,517,708	6,449,771
Refuse	7,121,609	9,485,085
Sundry debtors	3,603,103	7,583,528
	<b>66,177,632</b>	<b>65,054,789</b>
<b>Less: Provision for bad debts</b>		
Rates	(14,616,645)	(8,724,372)
Electricity	(3,042,332)	(5,089,566)
	<b>(17,658,977)</b>	<b>(13,813,938)</b>
<b>Net balance</b>		

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>10. Consumer debtors (continued)</b>		
Rates	33,318,567	32,812,026
Electricity	4,475,376	1,360,205
Refuse	7,121,609	9,485,085
Sundry debtors	3,603,103	7,583,528
	<b>48,518,655</b>	<b>51,240,844</b>
<b>Rates</b>		
Current (0 -30 days)	1,951,401	2,012,602
31 - 60 days	865,187	1,237,639
61 - 90 days	1,226,947	1,175,452
91 - 120 days	29,812,551	28,771,917
	<b>33,318,567</b>	<b>33,197,610</b>
<b>Electricity</b>		
Current (0 -30 days)	3,793,803	5,178,088
31 - 60 days	458,912	238,479
61 - 90 days	222,661	100,226
91 - 120 days	-	(4,156,588)
	<b>4,475,376</b>	<b>1,360,205</b>
<b>Refuse</b>		
Current (0 -30 days)	200,765	321,940
31 - 60 days	163,699	170,930
61 - 90 days	155,642	159,387
91 - 120 days	6,601,503	8,832,828
	<b>7,121,609</b>	<b>9,485,085</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	636,767	6,601,279
31 - 60 days	27,918	220,747
61 - 90 days	37,465	72,759
91 - 120 days	2,900,953	688,743
	<b>3,603,103</b>	<b>7,583,528</b>
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	13,813,938	13,413,749
Contributions to provision	17,658,977	400,189
Reversal of provision	(13,813,938)	-
	<b>17,658,977</b>	<b>13,813,938</b>

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2009, R 7,189,342 (2008: R 17,497,986) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5,690,573	-
2 months past due	1,844,553	-

## uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

### Notes to the Annual Financial Statements

	2009 R	2008 R
<b>10. Consumer debtors (continued)</b>		
3 months past due	62,732,180	-
<b>Consumer debtors impaired</b>		
As of 30 June 2009, consumer debtors of R 17,658,978 (2008: R 13,813,938) were impaired and provided for.		
The amount of the provision was R 17,658,978 as of 30 June 2009 (2008: R 13,813,938).		
The ageing of these loans is as follows:		
Over 3 months	17,658,978	13,813,938
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	8,753	4,553
Bank balances	3,138,974	-
Bank overdraft	-	(3,456,069)
	<b>3,147,727</b>	<b>(3,451,516)</b>
Current assets	3,147,727	4,553
Current liabilities	-	(3,456,069)
	<b>3,147,727</b>	<b>(3,451,516)</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
First National Bank Limited - Estcourt branch - Current account - Account number 000052200363994	5,167,220	(1,046,197)	2,798,354	(4,491,576)
First National Bank Limited - Estcourt branch - Public sector current account - Account number 62216024737	781	-	781	-
First National Bank Limited - Estcourt branch - Public sector current account - Account number 622116021345	258,390	-	258,390	-
<b>Total</b>	<b>5,426,391</b>	<b>(1,046,197)</b>	<b>3,057,525</b>	<b>(4,491,576)</b>

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	831,750	831,750
- in second to fifth year inclusive	1,925,004	2,894,158
	<u>2,756,754</u>	<u>3,725,908</u>
less: future finance charges	(594,940)	(933,740)
<b>Present value of minimum lease payments</b>	<b><u>2,161,814</u></b>	<b><u>2,792,168</u></b>
<b>Present value of minimum lease payments due</b>		
- within one year	732,955	732,955
- in second to fifth year inclusive	1,428,859	2,059,213
	<u>2,161,814</u>	<u>2,792,168</u>
It is municipality policy to lease motor vehicles and equipment under finance leases.		
Interest rates are linked to prime less 2 % at contract date. Contingent rents have been recognised as an expense R120 601 (2008: R148 421) as a result of the change in interest rates. The leased assets as indicated in Note 2 and Annexure A. These assets are financed by Wesbank (a division of FirstRand Bank Limited).		
The annual lease instalments inclusive of interest is R820 377 (2008: R683 822).		
The average lease term is 5 years.		
<b>13. Unspent conditional grants and receipts</b>		
<b>Deferred income comprises:</b>		
<b>Conditional grants and receipts</b>		
MIG Grant	1,496,742	1,541,355
DME Grant	20,127	-
MAP Grant	575,090	521,817
MSIG Grant	-	1,206
FMG Grant	487,650	380,294
Hostel Development and Upgrading	9,613,884	23,384,943
Good Governance Grant	500,000	-
	<u>12,693,493</u>	<u>25,829,615</u>
<b>MIG Grant</b>		
Balance unspent at the beginning of the year	(1,541,355)	(1,541,355)
Current year receipts	(3,899,000)	-
Conditions met - transferred to revenue	3,943,613	-
<b>Conditions still to be met - remain liabilities</b>	<b><u>(1,496,742)</u></b>	<b><u>(1,541,355)</u></b>
<b>DME Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	(1,200,000)	(1,800,000)
Conditions met - transferred to revenue	1,179,873	1,800,000
<b>Conditions still to be met - remain liabilities</b>	<b><u>(20,127)</u></b>	<b><u>-</u></b>
<b>MAP Grant</b>		
Balance unspent at the beginning of the year	(521,817)	(521,817)
Current year receipts	(400,000)	-
Conditions met - transferred to revenue	346,727	-
<b>Conditions still to be met - remain liabilities</b>	<b><u>(575,090)</u></b>	<b><u>(521,817)</u></b>

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>13. Unspent conditional grants and receipts (continued)</b>		
<b>MSIG Grant</b>		
Balance unspent at the beginning of the year	(1,206)	-
Current year receipts	(1,275,000)	(834,000)
Conditions met - transferred to revenue	1,276,206	832,794
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>(1,206)</b>
<b>FMG Grant</b>		
Balance unspent at the beginning of the year	(380,294)	(380,294)
Current year receipts	(500,000)	-
Conditions met - transferred to revenue	392,644	-
<b>Conditions still to be met - remain liabilities</b>	<b>(487,650)</b>	<b>(380,294)</b>
<b>Hostel Development and upgrading</b>		
Balance unspent at the beginning of the year	(23,384,943)	(23,384,943)
Current year receipts	-	-
Conditions met - transferred to revenue	13,771,059	-
<b>Conditions still to be met - remain liabilities</b>	<b>(9,613,884)</b>	<b>(23,384,943)</b>
<b>Good Governance Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	500,000	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>500,000</b>	<b>-</b>

Equitable share

This grant is used for the operations of the municipality.

MIG Grant

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. The unspent portion will be used to complete the same projects. No grants register was kept in the prior year, therefore it is impracticable to provide comparative information.

DME Grant

This grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support sustained supply and to eradicate the electrification backlog. The unspent portion will be used to complete the same projects.

MAP Grant

The Management Assistant Programme is the funding from Local Government for the Management to assist the municipality to provide better service to the community. It is usually used to buy, maintain computers for the municipality. No grants register was kept in the prior year, therefore it is impracticable to provide comparative information.

MSIG Grant

This grant is used for infrastructure and for capacity building and restructuring. The capacity building and restructuring grants were set up to assist municipality in developing their planning, budgeting, financial management and technical skills. Furthermore, the Municipality used this grant for the payment of the valuation roll expenses. The Municipality was also granted a loan from DBSA for the valuation roll expenses. DLGTA had agreed with all the municipalities that the MSIG grant be used to repay the DBSA loan which is repayable in two years time. The valuation roll expenditure had however already been incurred, but the grant to compensate for this expenditure will only be received in the following years. This has resulted in over expenditure of the MSIG grant as at the end June 2009.

FMG Grant

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. The unspent portion will be used to complete the same projects. No grants register was kept in the prior year, therefore it is impracticable to provide comparative information.

## uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

### Notes to the Annual Financial Statements

	2009 R	2008 R
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#### 13. Unspent conditional grants and receipts (continued)

Hostel development and upgrading

This grant is used for the upgrading and development of hostels. The unspent portion will be used to complete the same projects. No grants register was kept in the prior year, therefore it is impracticable to provide comparative information.

#### 14. Provisions

##### Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Leave pay provision	3,436,625	3,513,465	(3,436,625)	3,513,465
Provision for landfill sites	-	-	-	-
	<b>3,436,625</b>	<b>3,513,465</b>	<b>(3,436,625)</b>	<b>3,513,465</b>

##### Reconciliation of provisions - 2008

	Opening Balance	Additions	Adjustments in value of estimate	Total
Leave pay provision	1,369,754	2,024,206	42,665	3,436,625
Provision for landfill sites	-	-	-	-
	<b>1,369,754</b>	<b>2,024,206</b>	<b>42,665</b>	<b>3,436,625</b>

The landfill sites provision is measured at zero as the Municipality uses chicory waste from the Nestle factory at no charge. The transporting and bulldozing of the chicory waste is performed by Nestle, therefore the Municipality incurs no costs in this respect.

#### 15. Interest bearing borrowings

The Municipality has received a loan from DBSA which will be used to fund valuation roll expenditure. The period of the loan is four years. Interest will be charged at 6,75% per annum, payable every six months. There will be four equal six monthly capital repayments.

#### 16. Trade and other payables

Trade payables	21,912,001	7,387,460
Revenue received in advance - prepaid electricity meters	193,476	-
Accrued interest	488,932	312,899
Audit fee accrual	900,000	445,333
Sundry creditors	3,735,594	6,855,024
	<b>27,230,003</b>	<b>15,000,716</b>

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

#### 17. VAT payable

VAT payable	-	211,187
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In the current year VAT is a receivable. Refer Note 9.

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>18. Consumer deposits</b>		
Electricity	2,041,324	1,720,451

Interest is not paid to consumers when deposits are refunded.

Guarantees held in lieu of electricity deposits R1 885 965 (2008: R1 935 965).

### 19. Revenue

Rendering of services	111,425,011	87,189,379
Rental Income	749,027	305,879
Interest received	2,591,467	1,365,686
Fines	199,256	238,421
Licences and permits	4,554,279	4,348,829
Government grants (refer note 22)	37,222,717	17,186,663
	<b>156,741,757</b>	<b>110,634,857</b>

#### The amount included in revenue arising from rendering of services are as follows:

Rendering of services	3,388,540	1,250,888
Property rates - penalties imposed on collection	5,182,690	4,769,187
Property rates	26,232,141	23,786,884
Service charges (refer note 21)	76,621,640	57,382,420
	<b>111,425,011</b>	<b>87,189,379</b>

### 20. Property Rates

#### Rates received

Valuations on land and buildings are performed every five years. The last valuation came into effect on July 01, 2008.

The following general rates are applied:

- Land	0.491938c in the Rand
- Buildings and building clauses	0.012286c in the Rand
- Agriculture/grazing	0.024463c in the Rand
- Industrial/Commercial/Parks Board	0.338873c in the Rand
- Hospital/Education/Administration	0.053507c in the Rand
- Residential	0.045920c in the Rand

Rebates of 60% are granted to rates on land buildings, and building clauses for properties zoned residential.

Rebates of 50% are granted to rates on the general land building rate related to agricultural land, and building clauses for properties zoned residential.

Rates are levied on a monthly basis.

Rates are levied on the following properties as per the valuation roll:

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>20. Property Rates (continued)</b>		
<b>Property valuations</b>		
Agriculture	607,158,000	-
Agricultural smallholding	111,843,000	-
Commercial	429,815,000	-
Communal property	134,915,000	-
Game farms	22,341,000	-
Industrial	268,914,000	-
Institutional	10,606,000	-
Municipal	559,808,333	-
Public service infrastructure	37,816,845	-
Residential	1,538,589,120	-
Residential hospitality	11,712,000	-
Sectional title - Commercial	12,028,000	-
Sectional title - Residential	55,876,000	-
Sectional title - Residential hospitality	2,043,000	-
State owned	273,603,000	-
Place of worship	34,761,000	-
	<b>4,111,829,298</b>	<b>-</b>
<b>21. Service charges</b>		
Sale of electricity	71,850,261	53,298,409
Refuse removal	4,771,379	4,084,011
	<b>76,621,640</b>	<b>57,382,420</b>
<b>22. Government grants and subsidies</b>		
Equitable Share	14,403,684	9,520,441
Councillors remuneration Grant	575,000	-
MIG Grant	3,943,613	2,164,740
DME Grant	1,179,873	1,679,430
MAP Grant	346,727	-
MSIG Grant	1,276,206	832,794
FMG Grant	392,644	301,789
Hostel development and upgrading	13,771,058	185,342
Department of health	1,333,912	292,995
Other operating grants	-	2,209,132
	<b>37,222,717</b>	<b>17,186,663</b>
<b>23. Other income</b>		
Discount received	4,103	13,909
Sundry income	854,322	24,369
	<b>858,425</b>	<b>38,278</b>

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>24. Employee related costs</b>		
Basic	24,731,171	24,134,970
Bonus	2,496,560	2,620,279
Medical aid - company contributions	1,869,951	1,682,686
SDL	341,223	398,005
Other payroll levies	13,806	12,582
Leave pay provision charge	76,840	2,024,207
Post-employment benefits	3,757,149	3,389,416
Overtime payments	1,269,974	1,351,745
Car allowance	862,908	880,112
Housing benefits and allowances	475,149	433,096
Other allowances	543,766	435,172
Redemption of leave	121,863	105,395
Insurance	452,086	406,090
	<b>37,012,446</b>	<b>37,873,755</b>

### Remuneration of municipal manager

Annual remuneration	731,924	676,049
Car, travel, accomodation allowance and other	22,049	3,819
Performance bonuses	-	-
	<b>753,973</b>	<b>679,868</b>

### Remuneration of chief finance officer

Annual remuneration	286,687	259,661
Car, travel, accomodation allowance and other	80,000	159,458
Performance bonuses	-	4,583
Leave pay	-	121,271
	<b>366,667</b>	<b>544,973</b>

Settlement of previous chief financial officer was made in September 2008 - R467 193.

### Remuneration of Director Corporate Services

Annual remuneration	308,112	283,066
Car, travel, accomodation allowance and other	223,093	177,339
Performance and other bonuses	74,751	62,890
	<b>605,956</b>	<b>523,295</b>

### Remuneration of the Director Planning, Economic & Corporate Services

Annual remuneration	296,370	301,501
Car, travel, accomodation allowance and other	173,390	167,840
Performance and other bonuses	79,423	71,670
Leave pay	101,318	-
	<b>650,501</b>	<b>541,020</b>

The manager of the Mayor was granted free usage of one of the municipality's owned properties.

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>25. Remuneration of councillors</b>		
Executive Mayor	363,322	333,570
Deputy Executive Mayor	290,653	264,077
Speaker	290,657	267,974
Councillors	1,089,960	1,000,348
Councillors' pension and medical aid contributions	337,863	306,359
Executive committee members	149,871	135,864
Councillor's allowances	1,098,553	991,123
	<b>3,620,879</b>	<b>3,299,315</b>
<b>26. Debt impairment</b>		
Contributions to bad-debt provision	5,362,303	-
Bad debts written off	2,979,252	1,767,076
	<b>8,341,555</b>	<b>1,767,076</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	17,219,925	5,193,592
<b>28. Impairment of assets</b>		
Property, plant and equipment	-	1,113,811
	-	1,113,811
	-	-
<b>29. Finance costs</b>		
Non-current borrowings	24,806	-
Finance leases	310,625	303,136
Bank	155,871	-
	<b>491,302</b>	<b>303,136</b>
<b>30. Auditors' remuneration</b>		
Fees	1,523,473	350,000
Consulting	161,284	200,000
	<b>1,684,757</b>	<b>550,000</b>
<b>31. Operating lease</b>		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
<b>Operating leases - lessee</b>		
Within one year	729,879	663,487
In the second to fifth year	3,035,509	2,604,632
After five years	946,841	647,838
	<b>4,712,229</b>	<b>3,915,957</b>

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its printers and the fire engine. Leases are negotiated for an average term of five years for printers and ten years for the fire engine. Lease rentals for printers escalate by 15% over the lease periods. Lease rentals for the fire engine are fixed plus contingent (variable).

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>31. Operating lease (continued)</b>		
Contingent rent on the fire engine is based on hours and kilometres.		
Operating leases - lessor		
The municipality has Reconstruction and Development Program (RDP) houses that are leased to the public. Lease rentals are based on a percentage of the lessee's income levels. These leases are cancellable at any time by either party provided that one month's notice is given and there is no fixed lease period.		
<b>32. Rental of facilities and equipment</b>		
<b>Premises</b>		
Venue hire	749,027	305,879
Premises	749,027	305,879
Garages and parking	-	-
Facilities and equipment	-	-
<b>33. Bulk purchases</b>		
Electricity	55,370,513	40,614,287
<b>34. Cash generated from (used in) operations</b>		
Deficit before taxation	(3,007,734)	(1,865,653)
<b>Adjustments for:</b>		
Depreciation and amortisation	17,219,925	5,193,592
Loss on investments	1,943,063	-
Interest received	(2,591,467)	(1,365,686)
Finance costs	491,302	303,136
Impairment deficit	-	1,113,811
Movements in provisions	76,840	2,066,871
Adjustments for GRAP	(7,147,389)	7,856,346
<b>Changes in working capital:</b>		
Inventories	427,992	(23,919)
Trade and other receivables	(2,973,713)	2,604,729
Consumer debtors	2,722,189	(6,753,358)
Trade and other payables	12,229,288	(12,685,981)
VAT	(3,973,704)	-
	<b>15,416,592</b>	<b>(3,556,112)</b>
<b>35. Commitments and contingencies</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Kwezi Hostel	9,613,885	23,570,284
• Public Toilets	150,000	-

This committed expenditure relates to the Kwezi Hostel and the erection of the public toilets, and will be financed by government grants and council funding.

### Contingencies

At the time of completion of the annual financial statements, there appears to be no contingent liabilities at year end.

# **uMtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2009

## **Notes to the Annual Financial Statements**

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	2009	2008
	R	R

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### **36. Related parties**

A related party exists between the municipality and the Inkomfe Trust.

A section 21 company was formed by way of council resolution. The company has not been operating for the past 3 years. The assets were lost / transferred back to the municipality. The bank account was closed and is no longer active. The municipality is in the process of deregistering the company.

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

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	2009	2008
	R	R

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### 37. Unauthorised expenditure

At the time of completion of the annual financial statements, there appears to be no unauthorised expenditure.

### 38. Fruitless and wasteful expenditure

At the time of completion of the annual financial statements, there appears to be no fruitless and wasteful expenditure.

### 39. Irregular expenditure

At the time of completion of the annual financial statements, there were emergency orders not signed to the value of R87 152,52 and quotes not obtained to the value of R262 746,76.

### 40. In-kind donations and assistance

#### Siyenza Manje Project

The Siyenza Manje Project is a Municipal support program by the Development Bank of South Africa to support and assist all municipalities in improving their level of financial management and skills available to them through capacity building to ensure sustainability of municipality operations.

#### GRAP Conversion Project

The KZN Provincial Treasury co-financed with the Municipality the cost of the conversion from the IMFO basis of accounting to Generally Recognised Accounting Practice (GRAP).

### 41. Risk management

#### Maximum credit risk exposure

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

Trade receivables comprise a widespread customer base. Management evaluates 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 municipality. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end are noted under the respective Financial assets -Investments, Trade and other receivables and the Cash and cash equivalents notes.

These balances represent the maximum exposure to credit risk.

#### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the finance lease, the maturity of which is disclosed in the finance lease note.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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

- Call deposits
- Notice deposits
- Long-term debtors

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>42. Change in accounting policy</b>		
<b>The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the adoption of Generally Recognised Accounting Practice (GRAP):</b>		
<b>Statutory Funds</b>		
<b>Balance previously reported:</b>		
Capital development fund	-	(73,396,961)
Public improvement fund	-	(20,240,888)
Loan redemption fund	-	(1,792)
Reserves	-	(1,708,709)
Loans redeemed and other capital receipts	-	(98,094,148)
Implementation of GRAP	-	-
Transferred to Accumulated Surplus/(Deficit)	-	98,094,148
Transferred to Capitalisation Reserve	-	95,348,350
	-	-
<b>Long term liabilities/ Non-current liabilities</b>		
Balance previously reported	-	(2,583,191)
Implementation of GRAP	-	-
Transferred to Accumulated Surplus/(Deficit)	-	(208,977)
	-	<b>(2,792,168)</b>
<b>Unspent conditional grants and receipts</b>		
Balance previously reported	-	(34,938,367)
Implementation of GRAP	-	-
Transferred to Accumulated Surplus/(Deficit)	-	9,108,752
	-	<b>(25,829,615)</b>
<b>Property, plant and equipment</b>		
Balance previously reported	-	133,604,998
Implementation of GRAP	-	-
Fair value of Property, Plant and Equipment previously not recorded transferred to Accumulated Surplus/(Deficit)	-	560,076,306
	-	<b>693,681,304</b>
<b>Accumulated Depreciation</b>		
Balance previously reported	-	-
Implementation of GRAP	-	-
Backlog depreciation	-	(64,952,787)
	-	<b>(64,952,787)</b>
<b>Accumulated Surplus/(Deficit)</b>		
Implementation of GRAP	-	-
Transferred from statutory funds	-	193,442,498
Adjustments to Non-current liabilities - finance lease obligation	-	(208,977)
Recognition of grant revenue	-	9,108,752
Fair value of Property, Plant and Equipment previously not recorded	-	560,076,306
Backlog depreciation	-	(64,952,787)
	-	<b>697,465,792</b>

# uMtshezi Municipality

Annual Financial Statements for the year ended 30 June 2009

## Detailed Income statement

	Note(s)	2009 R	2008 R
<b>Revenue</b>			
Rendering of services		3,388,540	1,250,888
Property rates	20	26,232,141	23,786,884
Service charges	21	76,621,640	57,382,420
Property rates - penalties imposed and collection		5,182,690	4,769,187
Rental Income		749,027	305,879
Interest received		2,591,467	1,365,686
Fines		199,256	238,421
Licences and permits		4,554,279	4,348,829
Government grants	22	37,222,717	17,186,663
Discount received		4,103	13,909
Sundry income		854,322	24,369
<b>Total Revenue</b>		<b>157,600,182</b>	<b>110,673,135</b>
<b>Expenditure</b>			
Employee related costs	24	(37,012,446)	(37,873,755)
Remuneration of councillors	25	(3,620,879)	(3,299,315)
Depreciation and amortisation	27	(17,219,925)	(5,193,592)
Impairment of assets	28	-	(1,113,811)
Finance costs	29	(491,302)	(303,136)
Debt impairment	26	(8,341,555)	(1,767,076)
Repairs and maintenance		(5,923,096)	(6,160,702)
Bulk purchases	33	(55,370,513)	(40,614,287)
Grants and subsidies paid		-	(1,050,320)
General expenses		(30,685,137)	(15,162,794)
<b>Total Expenditure</b>		<b>(158,664,853)</b>	<b>(112,538,788)</b>
Loss on investment		(1,943,063)	-
Revenue		157,600,182	110,673,135
Expenditure		(158,664,853)	(112,538,788)
Other		(1,943,063)	-
<b>Deficit for the year</b>		<b>(3,007,734)</b>	<b>(1,865,653)</b>
<b>Attributable to:</b>			
Net Asset holders of the controlling entity		(3,007,734)	(1,865,653)

**uMtshezi Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
30-Jun-09

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
<b>Property and Permanent Works</b>													
Land & Buildings	575,282,073	182,998	(1,808,000)	17,976,654	591,633,726	(9,171,765)	(11,324,691)	85,250		(20,411,209)	-	-	571,222,517
Electrical Infrastructure	44,828,563	1,825,723	-		46,654,286	(15,014,938)	(2,417,435)			(17,432,374)	-	-	29,221,912
Grounds & Fences	4,309,728	49,261	-		4,358,989	(2,298,380)	(151,366)			(2,449,746)	-	-	1,909,244
Roads	43,705,582	108,528	-		43,814,110	(26,831,684)	(1,731,633)			(28,563,317)	-	-	15,250,793
Water drains	983,760	-	-		983,760	(983,760)	-			(983,760)	-	-	-
Other	2,147,678	-	-		2,147,678	(1,880,841)	(91,024)			(1,971,865)	-	-	175,813
	671,257,384	2,166,510	(1,808,000)	17,976,654	689,592,549	(56,181,368)	(15,716,150)	85,250	-	(71,812,270)	-	-	617,780,279
<b>Plant and Equipment</b>													
Tractors & lawnmowers	1,825,221	-	-	-	1,825,221	(1,803,815)	(10,667)			(1,814,482)			10,740
Trailers	345,856	-	-	-	345,856	(344,467)	(692)			(345,159)			697
Pumps & motors	345,632	-	-	-	345,632	(218,572)	(25,969)			(244,541)			101,091
Brush cutters	150,004	88,373	-	-	238,377	(110,695)	(13,902)			(124,597)			113,779
Small tools and other equipment	3,562,046	-	-	-	3,562,046	(1,529,050)	(206,009)			(1,735,058)			1,826,988
	6,228,760	88,373	-	-	6,317,133	(4,006,599)	(257,238)	-	-	(4,263,838)	-	-	2,053,295
<b>Office Equipment and Furniture</b>													
	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-	-	(6,940,424)	-	-	3,331,756
	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-	-	(6,940,424)	-	-	3,331,756
<b>Total carried forward</b>	687,538,718	2,474,488	(1,808,000)	17,976,654	706,181,861	(66,365,540)	(16,736,239)	85,250	-	(83,016,531)	-	-	623,165,330

**uMtshezi Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
30-Jun-09

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
<b>Total brought forward</b>	687,538,718	2,474,488	(1,808,000)	17,976,654	706,181,861	(66,365,540)	(16,736,239)	85,250	-	(83,016,531)	-	-	623,165,330
<b>Motor Vehicles</b>	3,603,892	-	-	-	3,603,892	(3,373,314)	(51,624)	-	-	(3,424,937)	-	-	178,955
	3,603,892	-	-	-	3,603,892	(3,373,314)	(51,624)	-	-	(3,424,937)	-	-	178,955
<b>Finance Lease Assets</b>													
Motor Vehicles	3,024,433	-	-	-	3,024,433	(407,525)	(432,062)	-	-	(839,587)	-	-	2,184,846
	3,024,433	-	-	-	3,024,433	(407,525)	(432,062)	-	-	(839,587)	-	-	2,184,846
<b>Total</b>	<b>694,167,043</b>	<b>2,474,488</b>	<b>(1,808,000)</b>	<b>17,976,654</b>	<b>712,810,186</b>	<b>(70,146,378)</b>	<b>(17,219,925)</b>	<b>85,250</b>	<b>-</b>	<b>(87,281,055)</b>	<b>-</b>	<b>-</b>	<b>625,529,131</b>

**uMtshezi Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
30-Jun-08

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
<b>Property and Permanent Works</b>													
Land & Buildings	14,282,328	729,410	-	-	15,011,738	(8,831,874)	(339,893)	-	-	(9,171,765)	-	560,270,335	566,110,308
Electrical Infrastructure	38,945,294	5,883,269	-	-	44,828,563	(13,172,731)	(1,842,208)	-	-	(15,014,938)	-	-	29,813,625
Grounds & Fences	4,196,653	113,076	-	-	4,309,728	(2,159,685)	(138,695)	-	-	(2,298,380)	-	-	2,011,348
Roads	41,903,291	1,802,290	-	-	43,705,582	(25,281,292)	(1,550,392)	-	-	(26,831,684)	-	-	16,873,898
Water drains	983,760	-	-	-	983,760	(983,760)	-	-	-	(983,760)	-	-	-
Other	2,147,678	-	-	-	2,147,678	(1,775,251)	(105,590)	-	-	(1,880,841)	-	-	266,837
	102,459,004	8,528,045	-	-	110,987,049	(52,204,592)	(3,976,777)	-	-	(56,181,368)	-	560,270,335	615,076,016
<b>Plant and Equipment</b>													
Tractors & lawnmowers	1,825,221	-	-	-	1,825,221	(1,793,061)	(10,754)	-	-	(1,803,815)	-	-	21,406
Trailers	345,856	-	-	-	345,856	(338,712)	(5,755)	-	-	(344,467)	-	-	1,389
Pumps & motors	345,632	-	-	-	345,632	(185,231)	(33,341)	-	-	(218,572)	-	-	127,060
Brush cutters	150,004	-	-	-	150,004	(96,709)	(13,986)	-	-	(110,695)	-	-	39,309
Small tools and other equipment	3,308,519	253,527	-	-	3,562,046	(1,370,229)	(158,821)	-	-	(1,529,050)	-	-	2,032,996
	5,975,233	253,527	-	-	6,228,760	(3,783,941)	(222,658)	-	-	(4,006,599)	-	-	2,222,161
<b>Office Equipment and Furniture</b>													
	6,764,384	3,288,190	-	-	10,052,574	(5,648,070)	(529,502)	-	-	(6,177,572)	-	-	3,875,002
	6,764,384	3,288,190	-	-	10,052,574	(5,648,070)	(529,502)	-	-	(6,177,572)	-	-	3,875,002
<b>Total carried forward</b>	115,198,622	12,069,762	-	-	127,268,383	(61,636,604)	(4,728,937)	-	-	(66,365,540)	-	560,270,335	621,173,179

**uMtshezi Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
30-Jun-08

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
<b>Total brought forward</b>	115,198,622	12,069,762	-	-	127,268,383	(61,636,604)	(4,728,937)	-	-	(66,365,540)	-	560,270,335	621,173,179
<b>Motor Vehicles</b>	3,603,892	-	-	-	3,603,892	(3,296,539)	(76,774)	-	-	(3,373,314)	-	-	230,578
	3,603,892	-	-	-	3,603,892	(3,296,539)	(76,774)	-	-	(3,373,314)	-	-	230,578
<b>Finance Lease Assets</b>													
Motor Vehicles	1,650,066	1,374,367	-	-	3,024,433	(19,644)	(387,881)	-	-	(407,525)	-	-	2,616,908
	1,650,066	1,374,367	-	-	3,024,433	(19,644)	(387,881)	-	-	(407,525)	-	-	2,616,908
<b>Total</b>	<b>120,452,580</b>	<b>13,444,129</b>	<b>-</b>	<b>-</b>	<b>133,896,708</b>	<b>(64,952,787)</b>	<b>(5,193,592)</b>	<b>-</b>	<b>-</b>	<b>(70,146,378)</b>	<b>-</b>	<b>560,270,335</b>	<b>624,020,665</b>