

U MTSHEZI M MUNICIPALITY



ANNUAL REPORT

2009/2010



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CHAPTER 1

MAYOR'S FORWARD

Umtshezi Municipality is one of the Municipalities that have performed in a satisfactory manner as required by relevant legislations in KZN as well as in South Africa. We have again obtained an unqualified audit report and shaved a tremendous improvement from previous years. We have been able to adhere to the IDP, Budget and SDBIP guidelines, which enabled us to monitor our income and expenditure.

With limited resources we were able to successful complete our capital project we maintained service delivery and completed the regravelling of roads in: Cornfields, Mimosadale, Madulaneni, D-section in Wembezi and Ncunjana. electrification in Wembezi A-Section, construction of the Wembezi interchange on the (N3), Street maintenance in Estcourt CBD and Weenen CBD areas and allowances and provision of free basic services was given to our indigent people as determined by the Municipal indigent policy. We are now looking forward to the 2010/2011 financial year where our focus is to obtain a clean audit report but not forgetting to meet the basic needs of the communities we serve.

We are proud that our Municipality is transparent and accountable which allows both councilors and officials to be aware of all activities as well as understanding cash flow situation.

Many thanks to Deputy Mayor, Speaker, exco members, fellow councilors, officials, and members of the public for their co-operation and efforts shown to uplift the lives of our citizens.

THANK YOU

**HIS WORSHIP, THE MAYOR
Cllr. M.L SHELEMBE**



MUNICIPAL MANAGER'S FOREWORD

The operations of Umtshezi Municipality are characterized by a high degree of “leveraging”. During the past financial year, we were able to leverage the financial, physical resources and human capacity. We have ensured that our human capital does not only understand the range of diverse, multifaceted, complex issues that prevails within the public sector, but to lead responses to risks within the sector and challenges in the policy environment.

The whole country has been faced by severe economic crisis. During the 2010/11 Financial Year we will expand our communal approach to all our partners in service delivery: Umtshezi Business Chamber, all Government Sector Departments; Private Sector – all our local businesses and labour. Leveraging off relationships developed in our joint response to the economic crisis, we will embark jointly on campaigns to improve service delivery and economic development for all within our area of jurisdiction. Umtshezi Municipality like all other Municipalities, has to service communities faced with limited economic development, high rates of unemployment and poverty, and considerably high service delivery backlogs and inefficiencies. The ability to tackle these challenges is hugely limited by lack of finances to afford and retain the required skills, which inevitably leads to a lack of appropriate planning, lack of strategic management, and operational and organizational unsteadiness.

The lack of required skills has led to staff being responsible for multiple portfolios and further encourages a heavy reliance on short-term solutions. For the Local Municipalities, whichever delivery mechanism they opt for, the technical skills gap coupled with the lack of finances to afford and retain the required technical skills has presented a further challenge to service delivery. In trying to address all these challenges, one of the solutions that have been considered by our Municipality was to be part of the concept of Shared Services of the Uthukela District.

We are indeed faced with a shortage of administrative capacity and at times overlapping responsibilities that becomes a stumbling block in the way of service delivery – this can easily be overcome by the extensive consultative process between all key stakeholders. This will ensure that a “Well Canvassed” Plan of action is developed to improve the overall capacity of our Municipality to deliver. Shared Services is an approach commonly used in the business sector which favours the concentration of homogenous expertise, resources and tasks in a Shared Services Centre (**SSC**), in order to achieve economies of scale and a significant decrease in costs. Current legislation provides a firm legal basis for the sharing of functions between District and Local Municipalities. It is imperative for Municipalities to explore the shared services route. In fact, the stronger Municipalities are to be the platform for any shared services centre envisaged. The aforesaid could yield efficient gains, improve effective service delivery, addressing skills shortages, and again enhance intergovernmental relations.

Municipalities are to work through a number of administrative puzzles in an effort to build high performance teams. This will therefore improve not only the levels of delivery but also the quality of our service delivery. Local Municipalities are at the forefront – we see things at our doorsteps, we hear things that are being said by our people. In essence, we are part of our people’s daily lives. It is for these reasons that we need to be professional and demonstrate thoroughness in our strategic approach as we cheerfully serve our people. This is applicable to the behaviour of each and every individual within our respectful component within the Umtshezi Municipality. Serving our people is our label as we transform for a better service delivery.

We boast a strong leadership that constantly renders us with their unwavering support to ensure that our vision is a success. Indeed it is once again the active mobilization and involvement of all sectors and stakeholders that shall form the solid foundation for the realization of our vision. We have



acknowledged a remarkable audit outcome in the past-uninterrupted financial years. All one has to do, is to look back at all we have accomplished and know we are capable of so much more.

Our equitable share allocation is highly open to discussion when taking into reflection the poverty levels and the degree of deprivation within our area of jurisdiction. Despite facing many challenges, we are gearing up for an absolute spotless appraisal outcome and we are confident to accomplish our goal if we keep our eyes on the accolade.

Ms N.P. Njoko
Municipal Manager
Umtshezi Municipality – KZN234
“Transforming for a better service delivery



COMPOSITION OF COUNCIL

COMPOSITION OF COUNCIL

MAYOR:	Councillor ML Shelembe
DEPUTY MAYOR:	Councillor MJ Ntshaba
SPEAKER:	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 JM Mbele	Cllr PL Mvelase
Cllr MJ Ntshaba	Cllr ML Shelembe
Cllr PJ Sokhela	Cllr DM Vahed

UMTSHEZI MUNICIPALITY MANAGEMENT

Municipal Manager	Patricia Nonhlanhla Njoko
Director: Finance	Nadine Thomas
Director: Corporate Services	Vacant
Director: Planning, Economic & Community Services	Elphas Dladla
Director: Technical Services	Vacant
Snr Manager: Civil	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



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.

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 backlog in service provision in the rural areas, which is currently being addressed.

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.

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 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.

	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 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
- 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



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 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 **Error! Bookmark not defined**.our area.

The larger established industries are:

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





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 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.**

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.

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 ahead.



HIGHLIGHTS OF SERVICE DELIVERY

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.

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 organization (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**

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.

LEGISLATIVE REQUIREMENTS AND COMPLIANCE BY UMTSHEZI MUNICIPALITY DURING 2009/10

DEVELOPMENT OF A PERFORMANCE MANAGEMENT FRAMEWORK

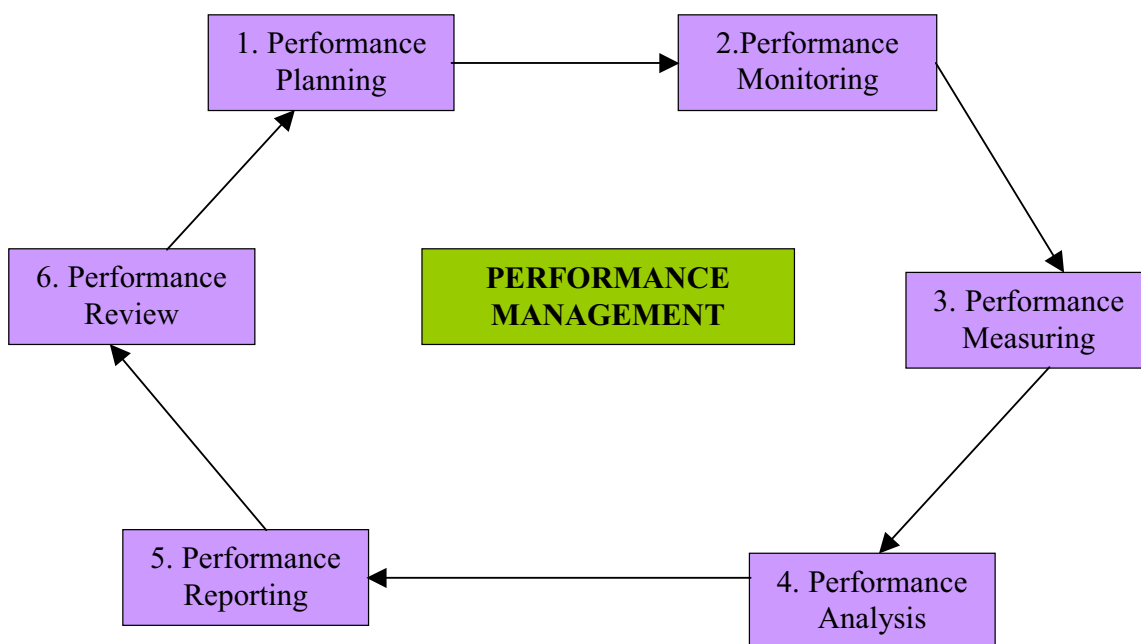
In compliance with the Municipal Systems Act (Act 32,2000) as well as the Municipal, Planning and Performance Regulations, 2001, and in consultation with the community and community stakeholders a Performance Management Framework was developed, by a service provider appointed by council. The Performance Management Framework together with the, Organisational Scorecard, Performance plans, and Performance agreements of all section 57 employees were 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:

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, Organisational Scorecard, Performance plans, and Performance agreements of all section 57 employees were 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:





IDP, PMS INTEGRATION THROUGH SDBIPs

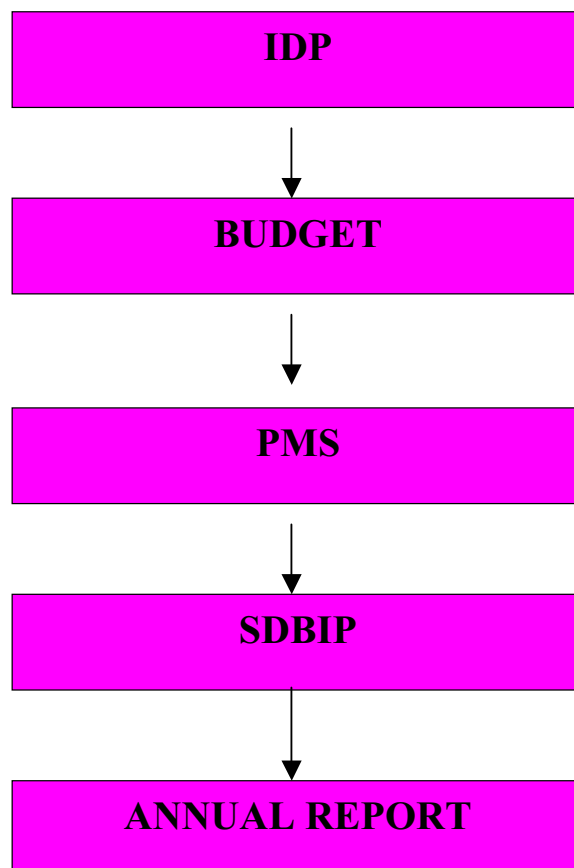
During the 2009/2010 IDP Review and Budget process an attempt was made to align the IDP with the budget to comply with the both MFMA and MSA.

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





MONITORING AND EVALUATION 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.

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

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



CONCLUSION

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

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 2010/2011.



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
1. Municipal Transformation and organisational development	IDP	Time taken to review and adopt the IDP	To prepare credible IDP	Review and adopt the IDP by 30 June	The IDP Review was adopted on the 31 may 2010.	
2. Municipal Transformation and organisational development	Institutional Development	Number of sector departments meetings/IGR related	To strengthen the intergovernmental system so as to adhere to IGR Framework Legislation	4 meetings	4 meetings IDP sector Department meetings, Planning & Development Act Provincial Meetings, Uthukela Shared Services and Human Settlements Think Thank Meetings	
3. Municipal Transformation and organisational development	Institutional Development	Number of meetings with the established structures (Youth and Gender, HIV/AIDS, sports council, Disabled	To improve working relations with local key stakeholders	8 meetings	8 meetings N1H1, HIV/AIDS Council, Disability Forum, Youth & Gender and Sports Council	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
4. Municipal Transformation and organisational development	Institutional Development	and youth structure) Number of Municipal stakeholder meetings co-ordinated	To develop and revise a credible Municipal IDP	4x meetings IDP Steering committee, 4x representative Forum meeting, 4x meeting with other profiled stakeholders – BR&E	4x meetings IDP Steering committee, 4x representative Forum meeting, 4x meeting with other profiled stakeholders – BR&E	
4.B. Municipal Transformation and organisational development	Reviewed Organogram	Number of % of vacant posts filled within three months after the revision and approval of the organogram	To revise the Municipal Organogram	As per approved organogram and annual budget	Organogram approved together with budget at meeting held on 29/05/10	
5. Basic Service Delivery	Waste Management	Tonnes of solid waste removed: farmers, domestic skips and	To provide a solid Waste removal system	8000 tonnes per annum	8000 Tonnes as per register	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
		industry per month				
6. Basic Service Delivery	Access to land and Housing	Progress with the adoption of SDF by Council	To facilitate sustainable human settlement development	Adopted SDF document by 30 May	SDF Adopted on the 27 January 2010.	
7. Local Economic Development	Building a sustainable economy	Number of economic initiatives approved by council and implemented	To create an enabling environment to economic growth sectors and engage potential investors	6 initiatives	2X Investor for a shopping complex. 2X expansion by Nestle.	
	Building a sustainable economy	Number of co-operatives supported	To promote, coordinate and manage economic growth	10 functional co-operatives	10 Functional Co-ops. (Registration certificates)	
	Building a sustainable economy	Progress with implementation and review of the municipal LED	To promote, coordinate and manage economic growth	A reviewed LED Strategy	The LED Strategy and Plan was reviewed in February 2010.	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
		strategy				
10. Local Economic Development	Building a sustainable economy	Number of functional co-opts	To create an enabling environment to economic growth sectors and engage potential investors	10 functional co-operatives	10 Functional Co-ops and SMME'S were trained in partnership with DEDT	
11. Local Economic Development	Land Use Management	Progress with the implementation of projects identified in nodes	To develop nodes and activity corridors	Implementation of the 3 anchor projects by 30 June 2010	1 x Corridor and 2 x Development Node	
8. Local Economic Development	Governance	% score from the community satisfaction survey conducted	To ensure and improve public participation in the municipal process	Survey indicating 90 % satisfaction by 30 May 2010	Research is being conducted	Financial constraints.
9. Local Economic Development	HIV/AIDS STRATEGY	Date of approved HIV/AIDS strategy	To minimise the prevalence of epidemic and pandemic diseases	Reviewed HIV/AIDS strategy by 30 May 2010 Target HIV/AIDS prevalence rate	HIV / Aids Strategy was not adopted.	Financial constraint.



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
14. Basic Service Delivery	Disaster Management	Date of approved disaster management plan	To manage the disaster in the Municipal area	Adopted disaster management plan by 30 June 2010	The disaster management plan has not been finalised yet.	The plan has not been finalised yet due to financial constraint but the service provider has been instructed to source more funding.
15. Basic Service Delivery	Recreational Facilities	Number of recreational facilities upgraded	To improve access to recreational facilities	3x sportsfield to be upgraded	1. Lambert Park 2. Wembezi Stadium	The Kwezi Sports field could not be upgraded since there is a water leakage from the hostel since the hostel stabilisation project is currently stalled by Funds.
16. Municipal Transformation and organisational development	Community Service	Number of training programmes developed	To provide capacity development for Councillors, Ward committees and officials	2x training programmes approved by 30 October 2009	Training ongoing. To be further expanded.	HR capacity
17. Municipal Transformation and organisational development	Council Support	% compliance with legislation	To comply with the Local Government Legislative Framework	100%	Adoption to be implemented following Councillor workshop.	Co-ordination facilitator and councillors. Financial constraints



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
18. Municipal Transformation and organisational development	Legal Services	Number of bylaws amended within three months of legislation change	To ensure compliance with all relevant legislation as amended from time to time	All bylaws amended within three months of legislation change	Bylaws repealed on adoption of new updated bylaws	Councillor workshop facilitation
19. Municipal Transformation and organisational development	Capacity building	% Of staff training conducted/f acilitated as set out in WPSP	To improve the capacity building in the work place	32% of staff trained by June 2010	12%	Financial constraints
20. Municipal Transformation and organisational development	Human resources policies	Number of approved Human Resources Policies	To develop and approve Human resources policies	10 HR policies	To be reviewed in the new financial year.	HR capacity
21. Municipal Transformation and organisational development	Information Technology	Date of development of an IT policy for the municipality	To review develop an IT Policy that will guide the usage of municipal computers and laptops	IT Policy adopted by 31 December 09	IT policy reviewed and adopted per Council resolution 104.07.10	
22. Municipal Transformation and organisational development	Inter-governmental relations	Number of IGR Forum meetings attended	To strengthen the intergovernmental system so as to adhere to IGR Framework	4	Provincial steering committee, 24/07/09, 21/08/09, 16/10/09, 20/11/09, 22/	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
			Legislation		01/10, 19/02/10, 26/03/10, 16/04/10, 22/05/10	
23. Basic Service Delivery	Access to physical infrastructure	Date of revision of the facilities utilisation policy document	To provide mechanism for municipal Halls utilization	Reviewed Policy adopted by 31 December 09	Implementation of policy	
24. Basic Service Delivery	Community Service	Number of events co-ordinated to promote reader awareness per year	To ensure objectives associated with educating and increasing awareness in communities are accomplished	4	Launch – UKUZAKHA NOKUZENZELA Rural development initiative. Weenen – 19/11/09 Mimosadale – 20/11/09 IDP Review hearings, Wembezi Town hall – 12/01/10 Paapkuils Hall – 13/01/10 Weenen Hall – 14/01/10	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
25. Municipal Transformation and Organisational Development	Traffic/Law enforcement	Progress made by revising payment methods	To create a safer town and surroundings where all citizens enjoy a better quality of life	New payment method adopted and functioned by 31 March 2010	Ongoing implementation of monthly plan as indicated per Traffic statistics	
26. Good Governance and Public participation	Community Participation and Development	Number of Ward committee meeting held (see provincial KPI's)	To ensure full community participation in the development processes of the municipality	16 ward committee meetings	Attendance of workshops and conferences.	
27. Good Governance and Public participation	Community Participation and Development	Date of implementation of communication strategy	To ensure and improve public participation in the municipal processes	Communication strategy implemented by 30 June 09	Not implemented, to be adopted by council.	To be adopted by council.
28. Good Governance and Public participation	Community Participation and Development	Date of satisfaction Survey completed	To conduct a community satisfaction survey	Community satisfaction survey concluded by 31 March 09	Research is being conducted	Financial constraints and HR resources
29. Good Governance and Public participation	Review of bylaws and policies	Date of revision of all bylaws and policies	To develop and review the existing Policies and bylaws we may need to specify which policies and	28/09/2009	Review of policies ongoing. Bylaw implementation subject to Council adoption	Financial constraints



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
			bylaws are referred to HR incl elsewhere			
30. Good Governance and public participation	Compliance, clean and sound administration	Date of approval of Annual report and adoption by Council of the oversight report	To report timely and accurately	01/02/2010	Draft Annual Report approved per resolution number - 080110	
31. Good Governance and Public Participation	Compliance, clean and sound administration	Number of Bid Committee meetings held for each committee	To implement an effective Supply Chain management System	22 meetings held for each committee (2 per month, excluding December, or as required)	Achieved – minutes for the 3 committees are filed with Bids finalised	
32. Good Governance and Public Participation	Compliance, clean and sound administration	Number of meetings held with the district and other levels	To improve the relationships with other spheres	6 meetings	Eskom 08/02/10, IDP District Technical committee, Uthukela Shared Services, FIFA 2010 WC Planning Forum, Uthukela MIG Meetings	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
33. Social development	Community Participation and Development	Number of students assisted by sourcing bursaries, internships and Learnerships	To create an environment that allows training and development of the community	6 bursaries, internships, learnerships	Bursary allocation as per 2010/11 budget.	
34. Social Development	Community Participation and Development	Number of attended consultative CPF Forum meetings	To create a safer town and surroundings where all citizens enjoy a better quality of life	4	Ongoing attendance of formal and informal meetings	Attend when invited
35. Social Development	Safety and Security	% Reduction of reported cases of pedestrian - vehicle accidents	To ensure safety of pedestrians and school crossings for children	2%	Daily duty allocation of Traffic Officers.	
36. Social Development	Safety and Security	Date monthly maintenance plan of road signs	Road signs and markings	6 Monthly maintenance plan of road signs and Markings	Ongoing implementation of 6 monthly maintenance plan.	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
		& markings reviewed and approved		approved twice a year		
37. Municipal Financial Viability and management	Sound Financial Management	% Reduction of outstanding debtors days	To reduce debtors days	Reduce debtors days by 26% to 180 days	Debt increased	1) New Credit Control staff needing training. 2) No disconnection of electricity due to non-payment of rates.
38. Municipal Financial Viability and management	Adopted SDBIP	Days drafting and adoption of an SDBIP	To draft and table SDBIP to the meeting Council in line with MFMA timeframes	28 days of passing of budget	Adopted on 30 June 2010.	
39. Municipal Financial Viability and Management	Sound Financial Management	Date annual Financial statements prepared and submitted to Auditor General	To complete and submit accurate annual financial statements timeously	Prepare and submit Annual Financial Statements by 31 August to Auditor general in line with MFMA	Unqualified Audit opinion	
40. Municipal Financial Viability and Management	Sound Financial Management	Date approval of final budget	To complete a quality budget timeously	Approved budget for 2010/11 by May 2010	Adopted on 28 May 2010	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
41. Municipal Financial Viability and Management	Sound Financial Management	Number of Audit Committee Reports submitted to MIM	To have an effective Internal Auditing Function	4 Internal Audit Reports	Audit and Performance Audit committee: met on 28/08/09 and 08/04/10	
42. Municipal Financial Viability and Management	Sound Financial Management	Percentage of Audit queries cleared within the next financial year	To clear all internal and external audit queries	100%	100% Action plan for audit queries for 2009/2010	
43. Municipal Financial Viability and Management	Sound Financial Management	Date of approval of Financial Plan	To develop a financial plan	30 June 2010	Adopted on 30 June 2010	
44. Municipal Financial Viability and Management	Sound Financial Management	Sec 43 (reg10 (g (ii))): Cost coverage ratio	To increase the cost coverage ratio	12	Bank overdraft at year end	
45. Municipal Financial Viability and Management	Sound Financial Management	Sec 43 (reg10 (g (ii))): Debt coverage ratio	To increase the debt coverage ratio	4	53%	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
46. Municipal Financial Viability and Management	Sound Financial Management	% Operating budget funded from cash	To provide sufficient cash resources	96%	100%	
47. Municipal Financial Viability and Management	Sound Financial Management	Number of days with excessive funds in current account in relation to the strategy	To keep a minimum cash balance to cover average monthly expenditure	30 days	A minimum bank balance has been kept	
48. Municipal Financial Viability and Management	Sound Financial Management	Date set in dealing with matters in audit report	To develop and implement corrective actions from audit report	All action Plans from 2009 Audit Report implemented and reported to the Audit Committee by 30 June 2010	Action plan completed and submitted to Audit Committee on 8 April 2010	
49. Municipal Financial Viability and Management	Sound Financial Management	Nature of Audit opinion	To complete and submit accurate annual financial statements and performance information	Unqualified audit opinion	Unqualified Audit opinion	



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
50. Municipal Financial Viability and Management	Sound Financial Management	Percentage of valid queries received in relation to the number of accounts issued	To produce accurate statements	0.50%	No queries in complaints register	
51. Municipal Financial Viability and Management	Sound Financial Management	% Of reports/statements submitted on time	To improve financial viability and sound financial management as per MFMA	100%	100%	
52. Municipal Financial Viability and Management	Sound Financial Management	% Of conditional capital grants spent	To ensure spending as per MTREF	100%	100% MIG grant register July09 – June 2010-08-17 FMG grant July 09 – June 2010	
53. Municipal Financial Viability and Management	Sound Financial Management	% Reduction in debt	To improve financial viability and sound financial management as per MFMA	10%	Debt Increased	1) New Credit Control staff needing training. 2) No disconnection of electricity due to non-payment of rates.



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
54. Municipal Financial Viability and Management	MFMA regulations	% Of mandatory reports submitted	To ensure compliance with s71 MFMA	100%	97%	
55. Basic Service Delivery	Excess to Basic infrastructure	Number of km of roads in IDP constructed	To provide access roads in rural areas	6.9km	10 KM	
56. Basic Service Delivery	Excess to Basic infrastructure	Km of roads in IDP maintained	To maintain existing roads in Weenen, Estcourt, Wembezi	6.9km	10KM	
57. Basic Service Delivery	Excess to Basic infrastructure	Number of low cost houses built per annum	To provide housing (through KZN Housing) and bulk infrastructure	Submission of a Tranche 1 application for 1000 units for approval by KZN Housing.	Application submitted on the 13 January 2010.	
58. Basic Service Delivery	Access to physical infrastructure	Kms of drains and storm water pipes cleaned	Cleaning of drains and storm water pipes	51.2km	48	Shortage of plant and machinery. Also breakdown



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
59. Basic Service Delivery	Access to physical infrastructure	Number of households electrified	To achieve universal access to electricity supply	350 connections this was the target for 08/09 target	Connected a total 229 Houses – 108 Wembezi Low Income Houses and 121 indigent.	Municipality bridge financed the electrification for Wembezi Low Income houses due to community pressure. The indigent applications also exceed the norm of about 50 per annum
60. Basic Service Delivery	Access to physical infrastructure	Number of substations maintained annually	To ensure that the electrical infrastructure is maintained in a good working condition	10 substations maintained	10 substations were maintained	Though there was a challenge with vehicles to do work but the department inspected substations in excess of 60 and maintained the 10 set out to maintain.
61. Basic Service Delivery	Access to physical infrastructure	Number of visits and inspections conducted on street lights per quarter	To ensure that the Electrical infrastructure is maintained in a good working condition	Visit and inspect 2500 street lights four times a year	The total number of streetlights in Umtshezi is approx 2500. They need to be inspected at least once a quarter. The full street light networks were inspected 4 times.	Though there was a challenge with vehicles to do work, the department inspected the street light networks at least four times during the year. Unfortunately the electricians did not record monthly how many street lights repairs conducted indicates that the whole network was visited.



NATIONAL KPA	LOCAL KPA	LOCAL KPI	OBJECTIVE	TARGETS AND ACTUAL 2009/2010		REASONS FOR UNDER/NON PERFORMANCE
				ANNUAL	ACTUAL	
62. Basic Service Delivery	Access to physical infrastructure (Electricity supply)	Number of street lights repaired and lamps replaced per annum	To ensure that the Electrical Infrastructure is maintained in a good working condition	1000 street lights repaired and lamps replaced	879 street lights were repaired	The major challenge was the bucket truck, which is old, and spent more time in the workshop for repairs. A replacement bucket truck has now been bought.



CHAPTER 3

CORPORATE SERVICES DEPARTMENT

ESTCOURT LIBRARIES

ANNUAL REPORT

JULY 2009-JUNE 2010

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.

Libraries

Our libraries have managed to provide a service that is of high quality and in addition enabling the community to access the necessary information.

Circulation of materials

Circulation of Items

Estcourt	Printed and non-printed materials	39 500
Forderville	Printed and non-printed materials	18 000
Weenen	Printed and non-printed materials	6 500
Wembezi	Printed and non-printed materials	13 678
TOTAL		

Membership

MEMBERSHIP	SENIOR	YOUTH	JUNIOR	TOTAL
Estcourt	1617	520	833	2970
Forderville	831	30	745	1606
Weenen	252	125	169	546
Wembezi	609	451	682	1742
TOTAL	3309	1126	2429	6864



USERS PER ANNUM

2009/2010

LIBRARIES	NO. OF USERS P/A
Estcourt	107 640
Forderville	35 000
Weenen	3000
Wembezi	75 687
TOTAL	221 327

The number of people using the library has increased as a result of people visiting the library for leisure e.g reading newspapers and magazines as well as those coming to study, and those seeking knowledge.

Library Promotion

Outreach Programs

Estcourt Library supported the Old Age Home in Estcourt with block loan of books. There's an old lady who is in charge at the Shepstone Place to borrow and returns library books to the library. Old books and magazines are still weeded out and donated to the disadvantaged schools surrounding Estcourt.

A staff member from Weenen Library as well as the Acting Senior librarian visited Weenen Combined School, to encourage learners to use the library and support with block loan to bring back the culture of reading.

ABET CLASSES

The cyber cadet at Wembezi Library has done initiative to promote the service to the community by conducting ABET classes to a group of 20 Adults which varies for a period of three months, these students are awaiting to be issued with certificates.

These students are taught programs such as Microsoft Word, Microsoft Excel, Microsoft Powerpoint, Internet and Email.

Supporting Programmes

Archives, Libraries, Museums and Language Services Conference 9-11 December 2009@ ICC in Durban

Staff members from Estcourt, Weenen Libraries attended the combined conference for Libraries in Durban, where librarians were taught how to promote reading: services for children in your library Spinner of tales. How to conduct a storytelling that will attract the audience.

A new Brocade computer system to be used in libraries was introduced, with its advantages to the users as well as staff members.

Heritage Month

All four libraries participated in putting up displays during Heritage Month, and staff member's participated by dressing their cultural attire, and they cooked traditional food.



Holiday Programmes

Holiday activities went well in some libraries, At Wembezi library juvenile members were involved in story reading, coloring-in, different games that included dancing, stage plays and singing.

There was also a spelling champion whereby a list of words were given to the participators a day before, so that they would study the words and be tested the next day to see who was the best speller.

Estcourt library participated by conducting coloring-in, as well as watching DVD 's in the library to keep the children entertained.



Library Week From 23rd-26th March 2010

Libraries celebrated library week by conducting different activities. Estcourt library had a coloring-in competition, as well as tea with biscuits for members.

Forderville library had a coloring in competition with prizes of soccer balls. Members were also invited to join for tea and some delicious eats.

Displays

Various displays on different topics were put in all libraries. As from March 2010 all libraries were urged to put 2010 Soccer World Cup display until the tournament ends.

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. Book exchanges were attended 4 times during the past financial year, Staff development Meetings were also attended 4 times.

The meetings are set by KZN Provincial Library Services to update the public librarians, listening to their needs and problems.

Library Maintenance

There have been a number of problems in all libraries regarding maintenance. During the summer months libraries are very hot, and members have complained about this, and its difficult for them to study.

Wembezi Library was the first on the list to receive air conditioners, but that has been put on hold. Libraries are becoming dark, no lights, as there was no money in our votes.



Overdue Library Materials

Members with overdue library materials are being sent reminders for these items with a hope that they will respond. Its costing too much fro all libraries to post reminders for overdue materials.

Internet at your library-Wembezi Library



Library computer has transformed the community mentality through the advancement of service provided in the library. This project has helped the community of Wembezi and Estcourt to access Internet free of charge, and help mebers to create email addresses.

People in Estcourt and surrounding areas are urging the Department of Arts and Culture to provide the service of computers in all public libraries.

Notices are displayed inside as well as outside the library, for those who have not heard about computers at Wembezi.

Users per category

Adult	550
Young Adult	700
Tertiary Students	200
Illiterate	200
Litearte	880
Juveniles	450

Mostly used programs

Internet & Email
Microsoft Word
Microsoft Excel
Microsoft PowerPoint
Microsoft Publisher
E-mail created 250

Technical Problems

Off line	25
Slow periods	88

Training Classes

Adults	100
Young Adult	300
Juveniles	60
Disabled	04

“ LIBRARIES WORKING HARD TO BRING BACK THE CULTURE OF READING ”



Records Section

We are in the process of having a new file plan drawn up. This is a legislative requirement from archives. Much progress has been achieved in this regard. It is anticipated that the approved File Plan will be implemented in January 2011. With this approval, destruction authority will also be implemented which will ease the space burden in archives.

General

	TOTAL
INCOMING MAIL RECEIVED	2751
INTERNAL MAIL CIRCULATED	2933
OUTGOING POSTS	445
FILES CIRCULATED	2178
HAND DELIVERIES	320
REGISTERED MAIL INCOMING	154

COST OF DISPATCHING EXTERNAL MAIL PER DEPARTMENT

	TOTAL
COUNCIL	0
CORPORATE SERVICES	4 727.35
CENTRAL LIBRARY	1 229.00
FORDERVILLE LIBRARY	866.44
WEMBEZI LIBRARY	1 657.50
PROTECTION SERVICES	4 888.35
CIVIL ENGINEERING	0
PECS	5 911.21
FINANCE	5 303.25
ELECTRICITY	969.15
WEMBEZI ADMIN	162.00
WEENEN ADMIN	0

PHOTOCOPIES PER DEPARTMENT

	TOTAL
CIVIL	544
COUNCIL	8675
FINANCE	33213
PECS	17619
CORPORATE	181488
PROTECTION	26150
ELECTRICITY	681
PRINCIPAL CLERK	2784
COMMITTEE CLERK	16487



LEGISLATION

Business Licensing

Business licensing was very subdued in the light of the economic downturn however matters relating to Liquor Licensing, Provision of Entertainment for Gaming Devices, Mortuaries and related permit requirements, Rural Game Abattoir application compliance are processed in terms of required legislation. Business licence renewals, enquiries and complaints are attended to on an ongoing basis one challenge being the complaints received from Bushmans River Tourism and N3 Gateway and others regarding an establishment operating under the guise of a Bed & Breakfast but with unsavoury clients. Much liaison with inspectors and owner and intervention by KZN tourism the operation now only caters for student lodging.

Liquor licensing legislation for KwaZulu-Natal is in the process of being implemented and the draft KZN Liquor Bill was workshopped by Province with submissions being requested. Input from Umtshezi was submitted to protect Municipal interests where it was thought to be overlooked. In response to complaints received from the public regarding the illegal road mechanics meetings were held with the mechanics to explain the need to re-locate them to an area that was acceptable to all role players. A Notice of intention to re-locate in terms of municipal bylaws was drafted and served. The process of relocation is continuing.

Valuation Appeal Board Hearings

In terms of the MPRA a municipality must draw up and maintain a municipal register of properties and develop a valuation roll. This was undertaken and objections to land values received. Corporate Services provides Secretarial support for the procedures of objections, appeals and Valuation Appeal Board Hearings. The administrative process of receiving, receipting, acknowledging, meeting objectors and appellants, the Board Chairperson, developing Hearing time schedules and drafting all forms related to the Hearings due to this being the first following the valuation of the whole of Umtshezi, co-ordinating Board member attendance, appellant notification of attendance, time frames, schedules etc was extremely onerous however successfully undertaken.

Bylaws

The request by Councillors for a workshop to be held on the new bylaws prior to adoption was cancelled due to the unavailability of the Honourable Mayor and Speaker. The workshop will be re-convened on the appointment of the Director, Corporate Services who will guide the process. In consultation with the Fire Safety Officer bylaws relating to Community Fire Safety incorporating the Control and Discharge of Fireworks were developed and approved. Legislation also required that Pound bylaws be enacted and in consultation with Province these were drafted and approved by Council. These are to be included in the bylaw workshop.

It is incumbent on the Municipality to provide Pound facilities and a Umtshezi Pound Forum was established with interested role players being the Chairman of the Estcourt Farmers Association and members and the SAPS Stock Theft Unit. A suitable area was identified being the old car pound at Stores, which has the required infrastructure such as 24 hour security, cattle ramps, buildings for storage and the offer from Mr Ronnie Donnelly to attend to administration matters relating to the Pound. A plan was drafted, submitted to Council for approval and release of funds for initiation of project.

In conjunction with the budget the tariff of charges bylaws were approved, adopted and promulgated in terms of

Involvement in Public Participation and Ward Committee matters are escalating. Ward Committee Conference, Community-Based Planning and Integrated Development Planning, Ward Committee Best Performance workshops and a Programme in Expanding and Strengthening Community Based Participation in Local Government were attended.



BUILDING MAINTENANCE

Scanning the daily record of maintenance undertaken it is noted that once again regrettably maintenance due to financial constraints was very much restricted to emergency work which related to repair and/or replacement of furniture, geysers, taps, sinks, toilet mechanisms, unblocking of toilets, urinals, water/sewer pipes, replacement of toilet seats. As toilets are aging and exposed to theft and abuse a toilet replacement programme was devised and implemented however due to finance constraints progress is slow.

Due to theft of cistern parts and non-reporting of subsequent malfunctioning of the toilets at Wembezi Hall these were extremely blocked up and fire hoses and four days of labour were needed to unblock the toilets. To prevent cistern theft and subsequent toilet malfunction quotes for the replacement and installing the flush type units is ongoing. Continuous toilet blockages are being experienced on the ground floor finance toilets as the use of paper towelling is blocking the sewer pipes. Site meetings were held with contractors to address the issue, tenders obtained however due to financial constraints no further progress.

Vandalism and toilet blockages at Colita Hall proved very challenging as no sooner were these matters attended to than complaints were again received as it appears children in the area had ready access to the grounds and were even seen on the roof throwing stones etc. The deployment of a guard has helped the situation considerably. Further compounding the situation is the fact that the hall is being utilized to run a creche at no charge as a service to the community.

A leaking pipe at Fort Durnford requires that a new pipeline be installed to feed toilets, as the current line is proving troublesome.

Attention was given to installing a door, windowpane replacement and fitting of lock in the main door at Thembelishle Hall.

Attending to light fittings and replacement of globes and fluorescent tubes is also an ongoing time-consuming job. Volleyball activities at the Town Hall resulted in the damage to overhead lights however players were requested to repair these or find alternative premises.

Once again an issue of considerable concern and annoyance is the need to replace locks due to loss, keys locked in cars, offices etc. as the handyman usually needs to remove doors etc which is a big undertaking. The theft/loss of keys issue is proving problematic as gaining access to offices, ordering and replacing locks is extremely time consuming absorbing time that could be utilized in ongoing maintenance.

The appointment of Mr O'Brien resulted in improved liaison with Estcourt officials and therefore considerable maintenance was undertaken on Weenen buildings however due to the handyman being restricted to 500 kilometers per month for travelling the maximum trips to Weenen would be two as provision for travelling to Wembezi and other outlying buildings needs to be considered. As the Town Hall is utilized by the Rotarians for the bi-annual melodrama it was necessary to attend to the stage curtains, replace broken window panes, attend to leaking geysers and roof of the Town Hall to prevent stage areas being flooded. Many other minor maintenance issues had to be dealt with to the satisfaction of users.

The upgrading of the Ehlathini offices for use by Management and officials to facilitate meetings was undertaken.

Extensive concreting work and installation of geysers was undertaken at the Stores to initiate an upgrade, which will be continued.

Forderville Hall is very much in demand for wedding in view of security issues and draping undertaken regularly resulting in damage to walls due to hammering in of nails/screws. To prevent this occurring and facilitate décor a system of anchor hooks/rawl bolts has been installed in consultation with decorators.



The repair of the Bert Tucker Swimming Pool filter system was achieved utilizing limited resources and effecting considerable saving.
The insurance claim in respect of rain damage to Wembezi Hall facilitated the fixing of the ceiling however the roof needs to be repaired to prevent ceiling damage.

Following the appearance of graffiti on the Subway Railway Bridge it was necessary to paint the walls three times to cover the Aworks of art@.
The interior of the Old Post Office was stripped and renovated to accommodate NGO's.
All practical measures to deliver are being attempted however financial constraints and restricted travelling and mileage hampers service delivery.

HALL HIRE

The following table indicates an estimate of income received the variance due to differing tariffs for different utilization.

MONTH	TOWN HALL	FORD. HALL	LIB. PROJ. ROOM	PAAPKUILS HALL	COLITA HALL
JULY 2009	R 4,903.00	R 1,550.00	R 773.00	R 315.00	R 200.00
AUGUST	R 3,849.00	R 1,680.00	R 1,623.00	R 170.00	R 400.00
SEPTEMBER	R 2,796.00	R 1,200.00	R 495.00	R 495.00	-
OCTOBER	R 2,290.00	R 2,680.00	R 1,256.00	R 450.00	R 100.00
NOVEMBER	R 1,497.00	R 2,080.00	R 1,047.00	R 627.00	-
DECEMBER	R 3,365.00	R 3,798.00	R 640.00	R 600.00	R 50.00
JANUARY 2010	R 3,244.00	R 1,473.00	R 1,480.00	R 720.00	R 120.00
FEBRUARY	R 2,421.00	R 1,168.00	R 1,100.00	R 350.00	R 120.00
MARCH	R 2,480.00	R 1 336.00	R 1,260.00	-	R 120.00
APRIL	R 2,160.00	R 2,795.00	R 440.00	R 800.00	R 500.00
MAY	R 1,150.00	R 1,900.00	R 1,120.00	R 900.00	R 200.00
JUNE	R 2,556.00	R 450.00	R 1,060.00	R 200.00	-
TOTAL	R 32,711.00	R 22,110.00	R 12,294.00	R 5,627.00	R 1,810.00

From the foregoing it can be ascertained that those halls having a high utilization rate need ongoing maintenance. Wembezi & Weenen Hall hire fall under the jurisdiction of those areas. Free use of the hall by organisations catering for community initiatives following written request is granted by the Municipal Manager.

SWITCHBOARD/RECEPTION

The digital PABX system is functioning efficiently and Miss Nomphilo Nyawo has settled in well however with the redeployment of Mr S Zulu, the relief switchboard operator to Fort Durnford, the few remaining staff who assist in emergencies find it very difficult to leave job related duties for a sustained period of time. To address the problem Miss S Khumalo appointed as a general worker but with much potential was trained to undertake switchboard/reception duties which proved most beneficial to staff members who assist with telephone relief as staff shortages result in staff undertaking duties over and above designated duties experiencing tremendous pressure on work demands and efficiency. However most tragically her life was taken and Corporate Services once again has the problem of relief, which needs to be addressed in the very near future.



HUMAN RESOURCES

Human resource functions were severely hampered by the resignation of the Human Resources Manager in February and the non-renewal of the contract of the Labour Relations Officer. Mrs Putterill and Ms Octavia Mchunu have been assisting with human resource matters where possible. The Human Resource Manager position was advertised however to date interviews not undertaken. The Workplace Skills Plan was completed timeously and submitted to the LGSETA to ensure funds for training in 2010/2011 financial year. The report on the Skills Audit conducted at Umtshezi Municipality by COGTA, LGSETA, SALGA, IMATU & SAMWU was received and the presentation overview tabled of with recommendations of the report.

LEAVE RECORDS

The status of leave as at end June 2009 is as follows:

	PERM. STAFF	SECTION 57	CONTRACT	KEEP UNTSHEZI CLEAN PROJECT
CURRENT BALANCE	11737	100	454	619.40
ACCUMULATED	3816	30	763.14	489.90
TOTAL	15 553	130	1217	1 109.30

Total leave reserve days on 30 June 2010.

ORGANIZATION STRUCTURE:

Recruitment processes are ongoing. Fifteen (15) appointment were made to fill Vacancies during the last financial year:

Corporate Services	4
Finance	6
Planning, Economic & Community Services:	6
Electrical Engineering	1

Eight (8) employees were promoted either through re-structuring of Department during the 2008/20010 process (placement) or through the process of vacancies being advertised internally and subsequently filled. Statistics per Department as follows:

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



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 12, left the employ and the statistics are made up as follows:

4 Retirements
2 Medical Boarding
5 Deceased
1 Early Retirement

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

Total Posts on Structure	397
Current Posts Filled:	308
Vacant Posts	72
Frozen Posts	17

The filling of the vacant post would drastically improve service delivery.

EMPLOYMENT EQUITY

In compliance with the Employment Equity Act, Act 55 of 1988, the Umtshezi Municipality appoint JIT Management Consultants to develop a five year employment Equity Plan, beginning 2008 to 2012. In the absence of a Human Resources Manager the progress and developments are not available.

WORKPLACE SKILLS PLAN

The Workplace Skills Plan for the 2009/2010 for the Municipality was finalized and delivered to LGSETA together with the Annual Training report for 2007/2008 on due date, i.e. 30 June 2009



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 R143 588 for the financial year 2008/2009 has been received from LGSETA.

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

Legislators	2
Directors & Corporate Managers	0
Professionals	7
Technicians & Trade Workers	8
Community & Personal Service Workers	0
Clerical & Administrative Workers	21
Machine Operators & Drivers	4
Labourers	0

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 11 Employees in this scheme. Below is an outline of the Departments who participated:



Corporate Services:

5 Employees

Finance:

1 Employee

Planning, Economic & Community Services:

5 Employees

Difficulty in obtaining examination results can be experienced as bursary holders fail to submit results. Should an employee fail they are given the opportunity to pass their subjects at own cost prior to the bursary continuing however should they not do this the studies are regarded as incomplete and bursary holders are expected to pay back amounts paid on their behalf by the Council.

HUMAN RESOURCE POLICIES

Policies relating to 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, Length of Service, Retirement, Use of Municipal Assets & Resources, Harassment / Bullying, Health & Safety are in place and are to be reviewed.

LABOUR DISPUTES AND OUTCOMES:

In the absence of a Human Resources Manager and Labour Relations Officer the Human Resources Manager information is not available.



IT Officer, R. J. Edwards

- **Servers**

Towards the end of the summer season, we experienced bad electrical storms and our Venus server was struck and damaged by lightning. BCX repaired both the comport and replaced the modem and got us up and running again.

Backup tapes had become too small on the Venus system due to the increase of the data that was being backed-up. 24GB tapes were used to replace the old 4GB & 8GB ones that we were using sorting the problem out.

The Conlog server ran relatively well over the year, it did however require the occasional reboot when it became frozen. The downstairs Conlog co-ordinator was being used by staff for transfers and often was shut down afterwards which stopped the AVM's working. A notice was placed next to the machine advising staff not to use that PC for transfers. This seemed to help and we haven't had the problem since.

- **AVM's**

The main problem that was experienced during the year was a shortage of spares to swop out when a problem arose with a machine. The spares were sent to Johannesburg for repairs as soon as they were received from TESS, however, ADO were holding back the spares due to accounts not being paid and/or order numbers not being issued for new repairs. A solution to this on going dilemma would be to enter into a maintenance agreement with ADO, which would alleviate further problems with order numbers.

- **Radio Links**

Lightning played a big part in our radio links staying active. The main building's link which provides the entire wireless network with comms, was struck by lightning. Due to everyone outside of the main building being down, this was an emergency and Duxbury sent a new radio down immediately and the IT Officer installed it resuming wireless links.

The fire station, traffic and PECS building were also stuck by lightning and repaired by the IT Officer.

A Service Level Agreement between the Municipality and Duxbury was entered into which includes holding spares on site for the network, a monthly visit from a technician to inspect the network and a plan on how the network needs to be upgraded as our existing network is redundant and spares are no longer available for the radio's in use. The IT Officer was also sent on a 2 day training course for the Proxim radio's at Duxbury's expense which was also a part of the agreement. This was to enable the municipality to provide the first line of support and to enable as little down-time of the network as possible.

- **EasyPay**

The implementation of EasyPay onto our statements has been fraught with challenges. The company, SPI, is responsible for the design and location of the logo and unique numbers. BCX is responsible for loading the finished design onto the Venus server. Testing took much longer than anticipated and problems that we are now experiencing are a critical lack of space on the Venus server which means that until the new server is put in, it is unlikely that the EasyPay system can be implemented.



- **General**

The municipal buildings were broken into during this financial year and several computers and hard drives were stolen and our AVM was broken to access the money inside. New computers were purchased which were set-up on the network by the IT Officer and given to the respective recipients. A new biometric access control system was installed in the municipal building by TESS and all the staff's fingerprints were captured onto the system. This was a time consuming exercise but now it is running smoothly with the majority of the staff who access the main building on the database. A new high-speed printer was acquired from Gestetner to replace our Eyeline printer which was used to print reports. It turned out to be quite a job for BCX to setup the printer on the Venus system. It does however print on A4 size paper and not the continuous paper that was previously used in the old printer. This has dropped our printing costs considerably as normal A4 paper is about 10 times cheaper than the continuous paper and is freely available.



PROTECTION SERVICES

STATISTICS

	EFFECTIVE JUNE 2010	ACCUMULATIVE JULY 2009
TRAFFIC FINES	7 300.00	331 800.00
DOG LICENCES	NIL	NIL
LEARNERS LICENCES	58 575.00	622 325.00
DRIVERS LICENCES	235 725.00	1 904 449.00
CERT OF FITNESS	NIL	14 101.00
CERT OF ROADWORTHINESS	NIL	75 675.00
INSTRUCTORS PERMITS	308.00	3 773.00
VEHICLE SUSPENSIONS	NIL	5 658.00
MOTOR LICENSING (COUNCIL)	73 366.14	920 840.36
MOTOR LICENSING (PROVINCE)	784 717.21	9 850 291.30
TOTAL	1 159 991.35	13 728 912.66

	JUNE 2010	JULY 2009
SPEEDING	6	343
MOVING	18	257
PARKING	11	129
DEFECTS	4	73
OTHERS	103	795
ARRESTS (WARRANTS)	NIL	NIL
TOTAL	142	1597

WARRANTS/SUMMONSES/NOTICES RECEIVED

	JUNE 2010	JULY 2009
WARRANTS – ESTCOURT	NIL	167
WARRANTS – OTHER AUTHORITIES	NIL	NIL
SUM J175 – ESTCOURT	NIL	3
SUM J175 – OTHER AUTHORITIES	NIL	NIL
DISCONTINUE – MOTOR VEHICLES	9	107
REPRESENTATIONS	NIL	1
TOTAL	9	278

ACCIDENT STATISTICS

	JUNE 2010	JULY 2009
FATAL	3	22
SERIOUS INJURIES	7	91
MINOR INJURIES	8	198
TOTAL	18	311



PLANNING, ECONOMIC & SOCIAL SERVICES

PRIMARY HEALTH CARE

Statistics - Clinic attendance at Connor Street Clinic:

Under 5's	3 006
Over 5's	14 412
Tuberculosis	901
TB Suspect	365
Tested Positive	16
Family Planning	3 189
Pap Smears	173
Ante-Natal	1 060
Immunisation	848
Chronics	2 849
PMTCT (Prevention of Mother to Child Transmission) - Total Tested	274
PMTCT Positive	97
PCR (Blood test for HIV - babies)	101
Voluntary Counselling & Testing - Total	1 703
Voluntary Counselling & Testing - Positive	451
CD4	927

Staff

Sister D. Tredoux from Estcourt Provincial Hospital joined our Clinic in October 2009, replacing Sister P. Hadebe who resigned in March 2009.

Lay Counselor J. Govender proceeded on sick/maternity leave as from February 2010 - July 2010. Sadly, Lay Counselors N. Ngcobo passed away in March 2010. Due to the shortage of Counsellors, the Well-Being Centre has not been operating effectively since April 2010, with VCT and PMTCT continuing at Connor Street Clinic.

Sister R. Sithole and J. Ngcobo have been relieving at our Clinics as and when necessary.



Training

Sister D. Tredoux has attended short courses since her employment on Informatics, Expanded Immunisation Programme and Tuberculosis. She is currently studying her Primary Health Care course (part-time) through the University of Natal in Ladysmith.

Campaigns

In April 2010, there was a large Measles, Polio and Vitamin A Campaign. The target group was six months - 15 years for Measles which meant the staff vaccinated children at the local pre and primary schools, as well as some of the Grade 8's and 9's at the High Schools.

The clinic continues to do down-referrals of ARV's, VCT, PMTCT and monitoring of CD4 despite the shortage of Lay Counselors.

Statistics - Clinic attendance at Forderville Clinic:

Under 5's	3 866
Over 5's	19 442
Tuberculosis	579
TB Suspect	227
Tested Positive	4
Family Planning	2 197
Pap Smears	298
Ante-Natal	1 041
Immunisation	1 048
Chronics	7 552
PMTCT (Prevention of Mother to Child Transmission) - Total Tested	252
PMTCT Positive	91
PCR (Blood test for HIV - babies)	86
Voluntary Counselling & Testing – Total	477
Voluntary Counselling & Testing – Positive	210
CD4	468
Mental Health	180



Staff

In July 2009, a new HIV Counsellor - Miss S. Kunene, was employed by the Department at Health and seconded to our Clinic due to the resignation of the previous Counsellor - Ms N. Zondi.

Training

Sister S. Mackenzie attended the following training/courses: Family Planning; Eye Training.

Sister S. Ramthol attended the following training/courses: Vitamin A; Ante-Natal Survey.

Ms S. Kunene attended an HIV Workshop.

Sister P. Hodgson attended the following training/courses: Mental Health; Pre and Post-Natal Care Workshop; Expanded Programme of Immunisation Workshop. Sister Hodgson commenced with her 1 year Primary Health Care course.

Campaigns

Vitamin A campaign carried out - September 2009, and again in May / June 2010 - 640 Children received Vitamin A and 509 were given Polio drops.

Sr Ramthol attended an HIV celebration at Forderville Primary School where she spoke on the topic.

In April 2010, Measles and Polio Campaign held. 2 716 Children were immunised.

WASTE / CLEANSING – Estcourt

Approximately 5923 Tons of Waste was disposed of during the course of the year.

Severe disruptions to the refuse removal and collection service and operations at the landfill site were experienced, due to vehicle breakdowns. NE 3613 - the Agrico landfill compactor broke down and could not be repaired due to the costs involved with repairing such an old machine, and for the last 10 months of the financial year, there was no full-time machine in operation at the landfill site. Bulldozers had to be hired every alternate month at exorbitant fees. A continual pile / backlog of waste was the norm at the landfill site, with wind scatter reaching catastrophic proportions at times.

The Department of Agriculture and Environmental Affairs issued a notice to our Municipality to close down and rehabilitate the Weenen landfill site, with effect from the 1st July 2010. Waste from Weenen will have to be brought through to Estcourt on a weekly basis - the purchase of a new refuse compactor in the 2010/2011 Financial Year is therefore essential in order to render this service.

The skip loader - NE 9810, also broke down due to its old age and this placed extreme pressure on the town waste compactor and staff, which had to double up with duties to cover for the skip loader.

Routine street cleaning took place. Wembezi in particular, was targeted in an attempt to clear up all the illegal dumping, overgrown pavements, street gutters and long grass. Illegal dumping throughout Estcourt also remains problematic. Officials have ensured where possible, to track down such perpetrators and either cleaned up the waste on their behalf and charged them accordingly or made them remove the waste themselves for disposal at our landfill site.

Weenen

- 629 Loads of refuse in total, were deposited at the landfill site.
- 14 572 Refuse bags were used for the collection of street litter.



PARKS & RECREATION

Routine grass cutting took place, as well as burning of firebreaks, servicing of tractors and various pieces of equipment.

A major water leak at Hilldene Pool had to be repaired. Income generated - R35 471,18.

Bert Tucker Swimming Pool opened very late in the season due to a breakdown with the filtration system and pool pump. The income for this pool for the year was R3 438,00

The caravan park was busy this season with many contractors visiting our park. The income generated was in the region of R450 776,00.

Flower beds at the post office, main building, bridge and traffic circle were re-done in conjunction with Mrs S. Fortmann of the Umtshezi Commerce & Chamber. Perennials and other hardy plants which require less water, were planted out.

Routine maintenance of sports fields and town gardens was carried out.

401 Burials took place in the towns of Estcourt, Wembezi and Weenen throughout the year.

IDP/LED/PMS AND TOURISM

IDP:

Council adopted the final IDP 2010/11 on 28 May 2010 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 2010/11 was in full compliance with the Local Government legislative framework and in terms of the IDP Process Plan and the action plan (see attachment). The copies of the IDP 2010/11 were forwarded to the office of the MEC for Co-operative Governance and Traditional Affairs on 25 June 2010.

Copies of the final IDP 2010/11 were also delivered to all stakeholders and also made available to the public at all Municipal Offices and buildings.

LED:

The LED Strategy and Plan was reviewed and the LED Forum, which was established in terms of our LED Strategy and Plan, is functional. The poverty alleviation programme (tractors) was undertaken, which included assistance to emerging farmers, co-operatives, SMME's and community garden organisations. Local Crafters organisations/co-operatives were assisted with transport to participate at exhibitions in the province. Due to the duplication for reasons not known to me, other departments also carried out LED functions. The planned and budgeted project – FARMERS

MARKET AND CANNING FACTORY failed due to delays in the Supply Chain Management section. Due to financial constraints other projects were also not finalised. The Umtshezi Municipality via the LED Section enjoys a very good relationship with the Chamber of Commerce. The LED consultant will provide a comprehensive report.



TOURISM:

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, assistance is still given with membership assistance and advertising.
- Worked in consultation with neighbouring schools in assisting learners to further their studies in Tourism, participated in interviews for Tourism related studies, distributed brochures to schools.
- Assisted LED/IDP manager with meetings, workshops, IDP.
- Updated accommodation lists, assisted BRTA with their membership registration.
- BRTA members are assisted with publicity of their organizations.
- On a day-to-day basis, domestic and international tourists are assisted on all tourism related matters.
- Assist Finance Department with quotations, bookings for accommodation, car hire, Flights.

HOUSING

ENHANCED EXTENDED DISCOUNT BENEFIT SCHEME

This policy was passed by government to allow all homeowners who had acquired their properties before 14 March 1994 to obtain ownership of their houses. Any debt that was owing could be written in terms of this policy. We have acted accordingly but there was an issue on how to write off the rates arrears on these accounts which was eventually resolved in December 2009 and the relevant rates clearance certificates were then issued.

Accordingly Mpati consultants forwarded all this information to their conveyances in Pietermaritzburg in order to proceed with the transfer of these properties. We accordingly expected the matter to be finalized within two(2) months thereafter but this did not materialize. The matter was taken up with the Department of Human Settlement and the consultants and as a result a new firm of attorneys when then appointed namely ER Browne.

We have noted our disappointment with the department and Mpati and requested a report and they have now forwarded a letter stating that the transfers should be finalized by mid September 2010. Copy of report attached marked .The issue of the disputes are ongoing. Waiting for a date for the second sitting of the disputes committee to deal with further disputes received. Status has not changed from last month.



WEMBEZI A SECTION LOW COST HOUSING

Although the construction of 504 units was completed by SROR Developments in October 2009, there were problems that was raised with them. They attended to some of the problems but not to the satisfaction of this department. Several letters were forwarded to the Department advising them on the issues of concern but we received very to no support from them.

We also met with the Department of Human Settlement and they requested a detailed report which was duly completed and sent to them on 25 May 2010. We also advised the Department of Human Settlement of the summons for payment was received from the contractor and we had to appoint attorneys Lalparsadh to defend the matter. The matter was heard in the courts n 6 June 2010 and the judge ruled in favour of Council with costs. The matter at present is sub-judica.

It is my opinion that the Department has been non-supportive despite the many issues raised on this project, namely :-

1. Boundary pegs not shown to beneficiaries.
2. Transfer of all sites to beneficiaries incomplete
3. Township Register not opened
4. Relevant certifications from professional team not received.
5. Poor workmanship
6. Leaking water pipes within the project area.

I have received an e-mail from attorneys Stowell and company and they are busy trying to obtain the relevant Compliance certificates which is needed for transfer purposes. See my portfolio of evidence e-mail received from said attorneys on 6 July 2010.

WEMBEZI C SECTION – PHASE 2

With regards to the 32 outstanding transfers, we completed as much forms as we could and advised the Implementing Agent to collect same from our offices which he done. We further advised them that we could not locate some people as they had either died or moved away. We reported it to the Department of Human Settlement. We are waiting for these transfers to be completed.

The Implementing agent attended to roof and other repairs to all of the houses which had this problem, see e-mail response dated 9 December 2009 There are few houses which have structural defects and awaiting for a way forward from the Department

COLITA HOUSING PROJECT

As Council is aware there were many complaints regarding the quality of the houses built and poor workmanship. The contractor was contacted on 1 December 2009 and immediately dispersed a team of engineers to conduct a site inspection. As a result of the site inspection the Implementing agent Kiron Homes took it upon himself to attend to the repairs which were not as severe as it had been made to be.

As a point of note the contractor was not obliged to attend to these problems as they did not fall within the normal maintenance period but attended to same in good faith. All houses were repainted in this project. The Department has advised that there is still funds available on this project to sort out the transfer. We written and also verbally requested the Department's authority to appoint another attorney to attend to these transfers but no response has been received .

Inland region has advised that a meeting be arranged with the Subsidy section from their department to discuss this issue. Will try and facilitate this meeting.



KWANOBAMBA PHASE 2

Subsidy application forms have been returned as they did not include sales agreement. Faanfan busy with this. Approximately 22 forms have been completed. Meeting was held with community and Councillor but still response has been very poor.

Council has spent approximately R850 000,00 of its money on this project which needs to be re-imbursed by the Department.

Spoke to Dohs building inspector regarding these houses and he advised that he was not happy with the workmanship. This was also confirmed by L Jacobs.

The Department of Human Settlement has advised that NHBRC will be approached by them to investigate the workmanship on this project.

Unfortunately there has been very little progress with regard to this project despite the matter being aggressively pursued by my section.

NEW PROJECTS:

RENSBERGDRIFT HOUSING DEVELOPMENT

Application for conditional approval was submitted to the Department on 23 November 2009. There were some outstanding documents on the application, which the IA duly provided the department with.

The Department and in particular D Varty have been giving me the run around in terms of submission of this application. Each time we enquire on the status of this application he has an excuse for it not been submitted to HEAK. The matter is now dragging on since December

2009, which is approximately 7 months, which is totally unacceptable from the Department of Human Settlement.

The matter was eventually referred to HEAK, see copy of minutes of said meeting and they requested further information regarding the bulk services and the appointment of the Implementing Agent. This information was duly forwarded to the Department .

MIMOSADALE PHASE 2

Stedone Developments to be introduced to the Community in May 2010 before they can proceed with the relevant studies. It is anticipated that a Tranche 1 application will be submitted by latest 31 July 2010.

The Department has advised that they are not satisfied with the appointment of the Implementing Agent as they were not party to the process. I attach hereto to my portfolio of evidence a letter dated 27 May 2010 to the Department on their query.

The only outstanding issue is the Social Compact Agreement, which will be signed shortly by the Municipal Manager.

FRERE AND CHIEVERLEY

We have received confirmation from Uthukela District as per their letter dated 23 February 2010 that there are sufficient bulks at Frere. A meeting was held with the relevant trusts at Frere regarding the proposed low-income developments.

In respect of Frere, we are awaiting the Certificate of Donor before we can proceed with submitting an application to the Department of Human Settlement as the land is in the name of a trust.

There are insufficient bulks at Chieverley for a RDP development, only two (2) jojo tanks servicing this area for water and there are no immediate plans by the Uthukela District Municipality to provide piped water to this area. We therefore cannot proceed with any housing developments in this area until the bulk water issue is resolved by the District.



NHLAWE, ENGODINI AND MSOBETSHENI

District has confirmed as per their letter dated 23 February 2010 that there are sufficient bulks at Msobetsheni. An application has been submitted to the Department of Human Settlement on 10 March 2010 requesting their permission to advertise this project. Further information was submitted to the Department with Council's resolution canceling the appointment of the Implementing Agent. We are expecting permission from the Department to advertise this project shortly.

The district has confirmed that there are insufficient bulks at Nlawe and Engodini for any RDP development at present and there are no immediate plans by the Uthukela District Municipality to provide piped water to this area. We therefore cannot proceed with any housing developments in these areas until the bulk water issue is resolved by the District.

THEMBALIHLE

District has confirmed as per their letter dated 23 February 2010 that there are sufficient Bulks in this area. A meeting has already been convened with the trust of this area and in order to obtain their Certificate of Donor as custodians of the land for a low-income housing development. Waiting for the trust members to sign the letter of Donation.

Same procedure as Mimosadale Phase 2 will be followed.

CORNFIELDS

District has confirmed as per their letter dated 23 February 2010 that there are sufficient Bulks in this area. We have received the Certificate of Donor from the trust of Cornfields. We are now awaiting the Title Deeds to the property before an application can be submitted to the Department of Human Settlement for consideration. Despite several meetings with the ward councilor we are still outstanding the Title Deeds.

OWL AND ELEPHANT

District has confirmed as per their letter dated 23 February 2010 that there are sufficient Bulks in this area. An application has been submitted to the Department on 10 March 2010 requesting their permission to advertise this project in view of the fact that there sufficient bulks and the land belongs to Council. Same procedure as Mimosadale Phase 2 will have to be followed thereafter.

We received a response from the Department, enquiring whether an IA had previously been appointed to this area. We responded on 14 June 2010, that there was no IA for this area and we urgently need their permission to proceed with the advertisement.

BAMBANANI MACHUNU

In loco inspections of these areas were done regarding bulk services and a subsequent meeting was held with district.

District has confirmed as per their letter dated 23 February 2010 that there are insufficient bulks in this area and there are no immediate plans by the Uthukela District Municipality to provide piped water to this area. This land was purchased by the Department of Land Affairs for this community. At present cannot proceed with housing in this area.

This project will have to be placed on hold until the district makes the necessary provision for the bulk infrastructure.



PAAPKUILSFONTEIN

In loco inspections of these areas were done regarding bulk services and a subsequent meeting was held with district.

District has confirmed as per their letter dated 23 February 2010 that there are sufficient Bulks in this area for a low income development.

Concern is that this is an urban area and district has authorised VIPs. This cannot be done.

Kiron Homes have offered this project back to Council for an amount of R4,5million which is unreasonable see. These include layout plans, land, EIA etc.

WEMBEZI C PHASE 3

Uthukela District has confirmed that the bulks are insufficient to accommodate this extra development. The matter is now been investigated by Ukulungisa Consulting who were appointed by Council at risk to establish whether they can source funding for the bulks.

The pump house has to be upgraded and at present they do not have sufficient funds.

The business was completed which would be used to apply for funding to upgrade the water and sewerage reticulation in Wembezi C Section as a whole and was given to the MEC on 15 May 2010.

RE-ROOFING – FORDERVILLE AND COLITA

An application has been submitted to the department for funding to re-roof the houses at Forderville and Colita. Monthly reminders has are been sent to the Department of Human Settlement. Still no response has been received. Status remains the same as last month. No response from the Department.

The business plan was also given to the MEC on 15 May 2010.

OTHER HOUSING MATTERS

OLD TITLE DEEDS – WEMBEZI

Letters have been written to each beneficiary in Wembezi A whose title deeds are in our offices to pick them up. This was done in December 2009 and March 2010.

Almost 315 people have collected their Title Deeds to date.

8 RIVER CRESCENT HOUSES

An application has been submitted to the Department to obtain funding to relocate these beneficiaries. Monthly reminders are being sent. No Response from the Department of Human Settlement. Status quo remains the same as last month.

LANDSALES

We have not processed much landsales as the Land Disposal Policy was only approved by Council in January 2010. Several proposed sales have been forwarded to the Infrastructure Committee scheduled for July 2010 and thereafter will be reported to Council. All landsales will be in terms of the Municipal Finance Management Act No 6 of 2003, which is incorporated in the Land Disposal Policy and the Supply Chain Management Policy. The sale that were finalised were those that had previous Council resolutions going back to May 2009 and before. We also advertised the development of lot 769(Fire Station) and the tender was awarded in terms of the SCM policy. The selling price is market related as well.



We have also encountered a problem with the sale of erven 760 and 741 to S Maharaj. These sites are currently zoned Public Open Space and the Deed of Sale was signed before the rezoning of the properties were completed. The matter is being dealt with.

FLANDERS FUNDING

The Department of Human Settlement has advised that there is some funding left over and as a result they want to supply Council with two (2) new computers and a printer. The matter was reported to Council and the agreement has been signed. The equipment should be delivered by latest end September 2010. Of concern is the fact that Council appointed two (2) staff members with the funding received but now the staff compliment in the housing section has diminished significantly since the programme was completed in 2006. When the programme was initiated there were approximately 5 staff members in the housing section which included the two (2) new staff members that were appointed with this funding. At present there are only three (3) staff members in the housing section.

CONSUMER EDUCATION

We conducted three (3) consumer education programmes in the Wembezi A section. As there are no housing projects at present it would be futile to proceed with this exercise. It will be revived once a new development has been approved.



DEVELOPMENT AND PLANNING

PROJECT NAME	PROJECT DESCRIPTION / EXTENT	PROGRESS
1. Brewitt Park Housing Development	Development of Middle to High Income Housing Units.	<p>The contract for the Xavier Construction was terminated due to incompetence to complete the project within an acceptable project period.</p> <p>Phase two of the development has been awarded to Nitokozweni Development for development of middle to high-income units. The commencement of the project is awaiting the finalisation of the contract documents, however the Building Plans have been submitted and are receiving the attention of the Building Control officer.</p> <p>Following a meeting held between both parties' legal representative, it was resolved that Xavier Construction submit a proposal for the remaining sites in phase one and to date the municipality has not received the information.</p> <p>The municipality's legal representative has however on the 23 July 2010 requested a response from the contractor's legal representative and that has not been received. Xavier Construction has been given permission to proceed with the finalisation of the existing units, which have signed agreements with the banks and property owners.</p>
2. Estcourt Shopping Mall	Development of a commercial centre suitable for the Estcourt and surrounding population.	<p>The centre was packaged for old depot block above Princess Street but since the developer and the property owner could not agree on terms, it was decided that the development be relocated to the existing fire station site.</p> <p>The developer would then be responsible for the relocation of the fire station to the proposed site.</p> <p>The notice calling for proposals was published in the relevant media facilities and the suitable developer has been appointed. The developer is currently proceeding with the relocation of the existing Fire Station.</p>



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	STATUS
3. Lambert Park Sports field	Upgrading of the Existing Combo Court, Soccer Field, Club House and Fencing.	Combo Court – Completed Soccer Field – Completed to a satisfactory standard. The field is currently under maintenance after re-grassing. Club House – Completed Fencing - Completed
4. Wembezi Urban Renewal	Identification and implementation of projects that can assist to stimulate the economy of the Wembezi Township.	Application Approval: Completed Development of the Business Case: Completed & Submitted to National Treasury for approval. Development of Project Plan for the Wembezi Interchange for Withdrawal: Completed. Approval of Wembezi Interchange Funding: Approval Granted Development of Project Plans for 2010 / 2011 Projects: In progress

PROJECT NAME	PROJECT DESCRIPTION / EXTENT	STATUS
5. Wembezi Interchange	Construction of four vehicular ramps that would link the N3 and MR29 and vice versa. (8m width) in partnership with SANRAL and KZN Department of Transport.	Completed
6. Kwezi Hostel Upgrade	Construction of: 1. An intersection on the R103 near the Estcourt Provincial Hospital leading to the green field phase of the project 2. 500 Family units on the existing hostel and 500 Family units on the green field and 3. Upgrading of the access road from Kempes to the existing hostel.	1. Intersection - Completed 2. Access Road – Completed 3. 1000 Family Units: The construction of the units is awaiting the finalization of the plans regarding the future the project following the legal recourse between CSM Consulting and Umtshezi Municipality. The meeting between KZN Human Settlements and Umtshezi Municipality regarding the future of the project will be held on the 03 August 2010.



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	STATUS
7. Wembezi Shopping Mall	Development of a commercial centre suitable for the Wembezi and surrounding population.	The project was stalled by the capacity of electricity in Wembezi but the municipality has received a loan from DBSA for the upgrade of the capacity in the area. The developer is currently proceeding with the studies, as money could not be invested until there was confirmation of the upgrade of electricity.
8. Weenen Shopping Mall	Development of a commercial centre suitable for the Weenen and surrounding population.	The developer has submitted a draft Land Availability Agreement for the municipality's comments and once the response has been received and comments incorporated in the document, Both parties will accordingly sign the agreement. Concept Plan – Submitted and Presented to the Infrastructure, Housing and Town Planning Committee.
9. Uthukela Family of Municipalities Development and Planning Shared Service.	Development of a service / structure that will be shared by Umtshezi, Imbabazane, Indaka and Okhahlamba Municipalities to take over the approval of all Development and Planning Application as per the KZN Planning and Development Act No. 6 of 2008 from COGTA.	Signing of agreement – Done Appointment of Officials – Done No of officials to based in Umtshezi – 1 X Senior Town Planner and 1 X Development Administrator. The above officials will start work on the: Senior Town Planner: 01 September 2010. Development Admin: 02 August 2010.



PROJECT NAME	PROJECT DESCRIPTION / EXTENT	STATUS
10. 2010 FIFA World Cup Public Viewing Areas	Provision of Public Viewing Areas for the community of Umtshezi during the 2010 FIFA World Cup.	The Municipality provided the community with 10 Public Viewing Facilities at the Wembezi A and C, Papkuisfontein, Colita, Mimosadale, Forderville, Thembalihle, Cornfield, KwaMthaniya and Mhlumba Community Halls.
11. Eradication of the Ezitendeni and Wembezi C Phase One Pit Latrines.	Eradication of the Pit Latrines at Ezitendeni and Wembezi C Phase Two.	Development of Business Plans – Detailed Business Plans have been developed and they will be accordingly submitted by the Office of the Municipal Manager to the relevant MEC for approval.
12. Upgrading of the Estcourt Taxi Rank		The business plan was developed and accordingly submitted to the relevant MEC for approval.



TOWN PLANNING

Several applications have been forwarded to COGTA, some of which had to be redone due the fact that there were changes to the legislation, which was not cascaded to our Council. In total six (6) rezoning applications were forwarded and it is anticipated that they should be approved shortly. This exercise was particularly challenging because of the changes to the legislation. To complicate matters even further, the ordinance regarding rezoning has been repealed and replaced with the Kwazulu Natal Planning and Development Act No 6 of 2008, which came into effect on 1 May 2010. We have been attended training courses on this new act and it is envisaged that with this new act there will be a lot of time saving. Also there will be a lot of responsibility placed on the applicant. The tariffs for rezoning application have also been revised which is inline with other municipalities.



ELECTRICITY DEPARTMENT

PURPOSE OF REPORT

To provide a record of performance of the Electricity Department throughout the year; highlighting areas of challenge. Where necessary, detail the plans in place to deal with the challenges.

BACKGROUND

I4Z Consulting has continued to perform the Responsible Person duties at the Electricity Department. A plan to build internal capacity is in place where they will handle the electricity department's work.

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 things are done. There was no disabling injury during the financial year.

TRAINING AND CAPACITY BUILDING

The Municipality is providing technical training, and the following has resulted from this initiative: 3 internal staff members are being trained as artisans, the Senior Technician has been offered in-service bursary to study at FET full time. The Municipality also took on 8 Electrical Learnerships for one year. Of the 8, 6 have gone for their trade test and 3 are still in training, the Municipality also took on another 10 new Electrical Learnerships.

PROJECTS COMPLETED DURING YEAR

- a) Demand side Management project
- b) Wembezi A Low Income Electrification Project (108)
- c) Canna Avenue New Development
- d) Wembezi C Section Streetlight Installation – completed
- e) Weenen Streetlights Installation and repairs
- f) Brewitt Park Development



CONNECTIONS MADE

108 houses were connected in Wembezi A Sections on funded by DoE, Connected 40 normal domestic houses and 121 Indigent Connections, 58 Conversions from Credit Meter System to Prepaid Meter System were made, Provided 12 Commercial Connections with 4 capacity upgrades

MAINTENANCE / OPERATIONS

The Department has continued to use a number of innovative technologies from data collection, substation automation, metering, protection etc to achieve the main task: uninterrupted quality supply of electricity. The Department continued to maintain and keep network in running condition. Inspections were periodically conducted as well as 20% of the network was maintained as planned. There was a challenge in dealing with street light backlogs due to the Bucket truck not operational at all the times, however the 879 of the 1000 street lights set to be repaired/replaced were repaired.

The Electricity Department experienced a major challenge with its prepayment meters going into tamper mode. This caused staff to work considerable amounts of overtime to ensure that supply to the customers is restored. The problem was resolved after consultation with the supplier where the design of new generation meters was altered to eliminate the possibility of the similar problem arising again.

Installation audits have also been carried out in various sections with no cases of tampering found, but mostly defective meters were found and replaced.

ELECTRICITY SUPPLY INTERRUPTIONS

Through the use of a preventive maintenance system introduced, the power interruptions were minimized. During the year in question, there was no major electricity problems on High and Medium Voltage levels experienced except that the two Power Transformers at Sub 57 are aging and tests indicates that they have reached the end of their life. Plans are in place to add one new transformer to reduce the load on them during 2010/11 financial year. The manufacturing of new 20MVA transformer for the Substation has started and the site commissioning tests are scheduled to be in September 2010.

A major power failure that lasted for a short period was experienced throughout the whole Umtshezi in March 2010. The fault occurred on Eskom's side at their Willowford Substation.

The Department has continued to attend to Call-outs from customers with whose services are interrupted. These are dealt with speedily.



BACKLOGS

Currently the not yet electrified households are estimated at 6000. 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 has not yet been completed yet. The agent appointed specifically for this project is working on the raising finances to electrify the area, however the land ownership issues are still posing a challenge.

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 2010/2011 financial year. The service provider has been appointed, awaiting the delivery of the vehicles including the delivery of the Bucket Truck.

The position of Senior Manager electrical that has not been filled. Internal staff members are being trained to perform the duties of the Senior Manager.

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.

MAJOR DEVELOPMENTS COMING IN FUTURE – FORWARD PLANNING

The optimism is high at uMtshezi, the Nestle Factory is upgrading its capacity and expanding its operations. New housing developments in Canna Avenue and Brewitt Park are starting to materialize. Requests for new capacity are being made daily from existing hospitals to commercial customers. This has resulted in the Municipality making plans for a major upgrade of the electrical infrastructure to accommodate that. Main part of that is upgrade of Main intake Substation 57 with new 20 MVA transformer. The substation upgrade is will happen over the next two financial years.

CONCLUSION

2009/2010 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.



FINANCE DEPARTMENT

This finance report summarises the financial performance of the municipality for the 2009/2010 financial year.

Financial Analysis of 2009/2010

A financial analysis of the draft 2009/2010 financial statements show the following results:

	2009/2010	2008/2009
Liquidity Ratio		
Current Ratio	1.55:1	1.50:1
Acid Test	1.54:1	1.49:1
Solvency Ratio	16.55:1	13.28:1
Debt Ratio	6,04%	7,52%

From the analysis of the draft annual financial statements, it appears that the financial situation had improved. The current ratio improved from the 2008/2009 financial year from 1.5:1 to 1.55:1 and the acid test ratio increased from 1.49:1 to 1.54:1 in 2009/2010. It is clear that the amount for inventory is not large enough to affect these two ratios significantly. Although the norm is 2:1 for the current ratio, and the norm for the acid test ratio is 1:1, the ratios reported would be deemed acceptable and the increase in the ratios show an improvement in the liquidity situation of the municipality.

In addition to this, the solvency ratio and debt ratios have also improved.

GRAP

In the 2009/2010 financial year, the municipality had prepared its financial statements in accordance with generally recognized accounting practice. The recognition of all income, expenditure, assets and liabilities was maintained in accordance to these standards and the draft financial statements were prepared by internal staff accordingly. There had been no major problems encountered with regards to recording and reporting of information during the year.

MUNICIPAL PROPERTY RATES ACT

The initial implementation of the municipal property rates act was done in the 2009/2010 financial year. Over 1000 objections were received and many of these were resolved resulting in approximately 20 valuation appeals being lodged. The valuation appeal board was formed and these appeals were heard during the financial year. There are a few queries that are being received from ratepayers and these are dealt with as and when received. The municipal valuers have assisted the municipality greatly in resolving many of the queries. Three supplementary rolls were issued and an amended valuation 2 was issued.



CONSUMER DEBT

The outstanding debt owing to the municipality had increased. This was due to many factors, one being the disputes raised over the valuation of properties with the implementation of the municipal property rates act. Action plans are currently in place to ensure that the debt is collected and that funds are available for service delivery.

Below is the ageing analysis as at 30 June 2010:

TOTAL	CURRENT	30DAYS	6DAYS	90 DAYS	
ELECTRICITY	12967598.59	7991012.35	1732349.82	554972.60	2689263.82
REFUSE	9844574.67	253135.19	183817.62	179393.44	9228228.42
SUNDRY	7558549.11	683798.12	122238.15	79838.08	6672674.76
RATES	46950602.51	2138509.23	1175182.45	1490690.63	42146220.20
TOTAL	77321324.88	11066454.89	3213588.04	2304894.75	60736387.20

001	ESTCOURT	12939321.66
002	WEMBEZI	39785745.29
003	SUNDRY TOWN	183997.32
004	BULK	10806087.54
005	SUNDRY WEENEN	64846.91
006	WEENEN	3373792.77
007	KWANOBAMBA	4811822.71
008	MIMOSADALE	2987911.11
009	COMMUNAL	2367800.47

TOTAL 77321325.78

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.

Below is a list of grants:



Name of Grant	1 July 2009 to 30 September 2009		1 October 2009 to 31 December 2009		1 January 2010 to 31 March 2010		1 April 2010 to 30 June 2010	
	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure
MIG	-2,500,000.00	2,671,093.01	-2,000,000.00	5,231,538.93	-4,136,000.00	1,182,163.62	-4,000,000.00	2,480,447.47
DME	-	-	-	224,730.00	-	148,055.43	-	165,700.00
Hostel dev. & Upgrade	-	193,110.00	-	1,291,194.82	-	1,045,261.44	-	8,422,127.86
FMG	-750,000.00	457,141.25		56,182.73		293,136.56		414,675.14
MSIG	-	-	-735,000.00	735,000.00		52,631.58	-	-
MSIG-Uthukela DM	-	-	-100,000.00	100,000.00				
Good Governance		135,484.21		138,484.21				
MAP		192,247.75		130,591.14				
TOTAL	-3,250,000.00	3,456,828.47	-2,735,000.00	7,572,410.87	-4,136,000.00	2,721,248.63	-4,000,000.00	11,482,950.47
Museum	-90,000.00	90,000.00	-95,000.00	95,000.00			-96,000.00	96,000.00
Skills Dev	-27,529.58	24,529.58	-16,323.40	16,323.40	-50,192.15	50,192.15	-49,543.38	49,543.38
475 Wembezi	-2,759,108.09	2,759,108.08	-1,341,081.19	1,423,216.34	-1,218,342.54		-	
Health					-1,573,638.77	1,573,638.77		
TOTAL	-2,876,637.67	2,873,637.66	-1,452,404.59	1,534,539.74	-2,842,173.46	1,623,830.92	-145,543.38	145,543.38
GRAND TOTAL	-6,126,637.67	6,330,466.13	-4,187,404.59	9,106,950.61	-6,978,173.46	4,345,079.55	-4,145,543.38	11,628,493.85



Disclosure of Salaries

The disclosure of salaries by councillors and senior managers is one of the requirements for the notes of the annual financial statements as per GRAP Standards.

Description	Mayor	Deputy Mayor	Speaker	Executive Committee Members	Ordinary Councillors	Other Sec 57	TOTAL
Salaries and Wages R							
Normal	400,370	320,296	320,296	165,153	1,181,390	1,685,036	4,072,542
Overtime	-	-	-	-	-	-	-
Contributions R'000							
Pension and Medical Aid	62,438	61,274	49,950	25,755	165,570	-	364,987
Allowances	-	-	-	-	-	-	-
Performance and Leave pay	-	-	-	-	-	119,643	119,643
Allowances R							
Travel & Motor Car	154,638	123,708	123,709	63,787	420,159	265,588	1,151,589
Housing	-	-	-	-	-	68,473	68,473
Subsistence	20,664	5,098	9,833	-	2,125	26,743	64,462
Telephone allowance	17,100	17,100	17,100	10,668	104,960	30,159	197,087
TOTAL	655,210	527,476	520,888	265,363	1,874,205	2,195,641	6,038,783

CONCLUSION

There had been many developments, changes and adjustments in the finance department for 2009/2010.

The challenges that were face enable the department to grow and initiate new processes in order to be more efficient. The department will continue to grow in pursuit of excellence.



CIVIL ENGINEERING

PURPOSE OF REPORT

- Is to provide performance records of the Civil Engineering Department works throughout the 2009/2010 financial year.
- Is to state nature of challenges and to detail the plans in place to deal with the challenges.

BACKGROUND

Civil Engineering Department had to face numerous challenges due to the fact that Municipal budget was to lean.

- Challenges on the Municipal cash-flows were experienced during the 2009/2010 financial year which made it difficult for the operating budget to be expended uniformly during the financial year.
- Council funded projects were minor due to the fact that budget was limited
- Challenges were also faced in timely procurement of materials
- Another serious challenge has been the breakdown of plants (Graders, Tipper trucks, Rollers, TLB) for the department to execute its duties.

MUNICIPAL INFRASTRUCTURE GRANT FUNDED PROJECTS

Basic level of service projects executed in 2009/2010 financial year ran very smoothly and we managed to meet the 100% expenditure as required in the DORA.

PROJECTS INITIATED AND SOME COMPLETED DURING YEAR

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

- A) Wembezi D Section re-gravelling/Rehabilitation: Completed
- B) Cornfields clinic access road rehabilitation: Completed
- C) Mimosadale Access road rehabilitation: Completed
- D) Ncunjana Access road rehabilitation: Completed
- E) Madulaneni Access road rehabilitation (1st phase): Completed.
- F) Colita access road rehabilitation: Completed.



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 2010/2011 financial year. The service provider has been appointed, awaiting the delivery of the vehicles including the finalization of DBSA loan agreement.

CONCLUSION

2009/2010 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 Civil/Technical Department is optimistic about the future of the town.



CHAPTER 4

AUDITOR'S GENERAL REPORT

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMTSHEZI MUNICIPALITY

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 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 98 to 134.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2009 (Act No.12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) 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 International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umtshezi Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended are prepared, in accordance with SA Standards of GRAP to the financial statements and in the manner required by the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 34, to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during June 2010 in the financial statements of the Municipality at, and for the year ended 30 June 2010.

Unauthorised expenditure

10. As disclosed in note 39 to the financial statements unauthorised expenditure of R10, 200 million was incurred as a result of actual expenditure exceeding the budget.

Additional matter

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 135 to 142 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003)(MFMA),the Division of Revenue Act, 2009 (Act No.12 of 2009) (DoRA),Municipal Supply Chain Regulations of South Africa ,GRN 868 of 30 May 2005 (MSCM) and Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and financial management (internal control).

Predetermined objectives

14. Material findings on the report on predetermined objectives, as set out on pages 20 to 36 are reported below:



Non-compliance with regulatory and reporting requirements

Objectives budget

15. No evidence could be provided that the development objectives as contained in the IDP were budgeted for, as required in terms of regulation 6(a) of the Local Government: Municipal Planning and Performance Regulations, 2001.

Usefulness of information

16. The following criteria were used to assess the usefulness of the planned and reported performance:
 - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
 - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
 - Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?
- The following audit finding relates to the above criteria:

Planned and reported performance targets not specific/measurable/time bound

17. For the selected objectives, 50% of the planned and reported targets were not:
 - Specific in clearly identifying the nature and the required level of performance;
 - Measurable in identifying the required performance;
 - Time bound in specifying the time period or deadline for delivery.
18. A comparison of performance with targets set in the previous financial year, and measures taken to improve performance were not disclosed in the annual performance report as required by paragraph 46(b) of the MSA.

Compliance with laws and regulations

Municipal Finance Management Act, No. 56 of 2003

Payments in excess of approved limits

19. Payments totalling R340 000 were made in excess of the approved limits of the original agreement, this is in contravention with section 116 (2) of the MFMA.

Tenders awarded without stipulating terms and conditions

20. Tenders have been awarded to suppliers without stipulating the terms and conditions of the contract as required by section 116(1) of the MFMA.

Bank overdraft

21. The letter sent to National Treasury notifying Treasury of the net overdrawn account balance of the Municipality was not in the format prescribed by section 70 (2) of the MFMA.

Annual financial statements

22. Contrary to the requirements of section 122(1)(a) of the MFMA, the financial statements submitted for audit were subject to material adjustments due to errors noted during the audit.



Municipal Supply Management Regulations GRN 868 of 30 May 2005

Evaluation criteria for disallowance of prohibited suppliers

23. Tenders have been awarded without evaluation of whether the supplier is prohibited from doing business with the public sector before awarding of the contract as required by section 14(c) of the MSCM Regulations.

INTERNAL CONTROL

24. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the following key laws and regulations MFMA, MSA, and SCM Regulations, but not for the purposes of expressing an opinion on the effectiveness of internal control.

25. The matters reported are limited to the significant deficiencies that gave rise to the findings on the report on predetermined objectives and compliance.

Financial and performance management

26. Management did not implement policies and procedure necessary to ensure that performance is adequately monitored and reported on.

Pietermaritzburg

Auditor General

30 November 2010

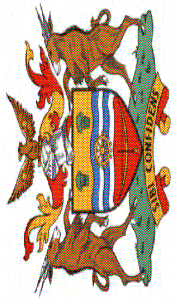


AUDITOR - GENERAL

Auditing to build public confidence



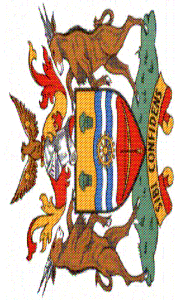
AUDIT ACTION PLAN



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2009/2010

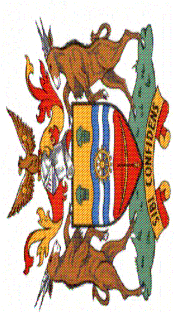
Finding	Action plan	Implementation Date	Accountable Executive
MATTERS AFFECTING THE AUDIT REPORT			
1. Payment more than approved limits	This would be taken to Full Council for approval	November 2010	Municipal Manager
2. The evaluation criteria does not include the disallowance of prohibited suppliers	All suppliers who have been awarded tenders will be verified by National Treasury as to whether or not they are restricted from doing business with the public sector	01 December 2010	CFO, SCM Manager
3. The tender contract does not have terms and conditions	All terms and conditions are included in the tender contract. The appointment letter will be amended to include the terms and conditions of the tender.	25 November 2010	CFO, SCM Manager
4. Expenditure not according to budget	The unauthorized expenditure will be tabled before Full Council at the next council meeting	January 2011	CFO
5. Cash and cash equivalents – Non compliance with MFMA S70 (2)	All letters sent to Treasury regarding overspent bank balances will be amended to include all the required information as per S70(2)	01 December 2010	CFO
6. Commitments – Contracts were not disclosed in the	All commitments will be included in the financial statements	30 June 2011	CFO



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2009/2010

Finding	Action plan	Implementation Date	Accountable Executive
commitments			
OTHER IMPORTANT MATTERS			
7. Posts have not been advertised	All posts will be advertised	01 December 2010	Dir: Corporate Services
8. Vacation leave is not approved prior to being taken	The leave forms will be amended to include a date on which they are approved by the supervisor or manager.	01 December 2010	Director: Corporate Services
9. Leave forms not filled in	Reconciliations will occur from the leave forms to the leave records on a regular basis	01 December 2010	Director: Corporate Services
10. Excessive overtime worked	Employees will not work more than 10 hours overtime per week	01 December 2010	All HOD's
11. Cancelled traffic fines	The summons book will be checked and verified whenever a book is full and all cancellations will be endorsed	01 December 2010	Manager: Protection Services
12. Hall hire reconciliation	Monthly reconciliations of the hall diary for hall bookings and receipts will be conducted	01 December 2010	Director: Corporate Services
13. VAT paid for a supplier not registered for VAT	The municipality will try to recover the VAT incorrectly paid to the supplier from the supplier	01 December 2010	CFO
PERFORMANCE INFORMATION			



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2009/2010

Finding	Action plan	Implementation Date	Accountable Executive
14. Performance indicators not well defined or verifiable	The municipality will endeavour to improve and ensure that the KPI's are well defined and verifiable	01 December 2010	IDP / PMS Manager
15. Objectives not budgeted for	The IDP is linked to the budget and more referencing will occur to ensure that budgets are clearly seen	01 December 2010	IDP / PMS Manager and CFO
16. Information disclosed in the performance report does not include the previous year's information	The previous year's information will be included in the performance report for the financial year	01 December 2010	IDP / PMS Manager



AUDIT COMMITTEE REPORT

DRAFT
AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE REPORT
MTSHEZI LOCAL MUNICIPALITY
2009/2010

Members were appointed to the APM Committee of the Mtshezi Local Municipality in January 2008 and comprises 3 (three) members ie. :

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

The Committee was established in terms of the requirements of the King Report on Corporate Governance for South Africa, the Local Government Municipal Planning and Performance Management Regulations 2001, paragraphs 2.(a) and 2.(c) and Section 166 of the MFMA. The Committee operates within the framework of the Mtshezi Municipality Audit/Performance Management Committee Charter.

MANDATE (RESPONSIBILITIES) OF THE AUDIT/PERFORMANCE COMMITTEE

The Committee is an independent body that operates within the terms and conditions of the Internal Audit Charter, and acts in an advisory capacity to the Municipal Council, the Political Office Bearers, the Accounting Officer and the management staff of the municipal entity in matters pertaining to internal financial control and internal audits, risk management, performance audit, effective governance, compliance with the various acts and response to the Council on any issues raised by the Auditor General.

The relevant Acts and Sections are :-

1. Local Government : Municipal Finance Management Act No. 56, 2003 (chapter 14 Sec.166)
2. Local Government : Municipal Systems Act No.32, 2000 (Chapter 6)
3. Local Government Municipal Planning and Performance Management Regulations 2001 para2.(a) and 2.(c)
4. Local Government Transitions Act – Sec 10.G (2)(c)
5. The King Report on Corporate Governance (King III)

As an Oversight Committee it is clearly stated that the Committee must present an Oversight Report on the Annual Report addressing the following (see AG's Quick Reference Guide on Roles & Responsibilities of Audit & Oversight Committees) :

- Performance of the Municipality
- Issues in the AG Audit Report
- Internal Audit findings
- Adequate disclosure of pertinent information; and
- Whether the Annual Report is approved, rejected or referred back for revision.

Due to the fact that none of the aforementioned reports are currently available, it is not possible to comment adequately, or report on the relevant issues as indicated above. We have not had sight of the reports which form the core of our reporting responsibilities and any report could compromise the reality of the situation as espoused in these crucial documents. We are therefore of the opinion that this draft report, should be limited to



our observations based on the meetings held during the year, at this point in time, and is not a reflection of actual situation that transpired during the Financial Year. A more detailed final report will address the state of the municipality in the near future.

AUDIT COMMITTEE MEETINGS

Meetings were held in accordance with the requirements of the Audit Charter and were held fairly regularly. The presence of both Internal Audit (PWC) and the Auditor General at our meetings has been inspirational and the pro-active response to potential problem areas has improved performance in most areas of governance.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDITS

Quarterly Financial reports were initially delayed but the situation was rectified albeit a little late. Salient points that need to be addressed are that the outsourced internal auditors were only appointed on 18 September 2009 with limited scope due to budgetary constraints. An extended scope was approved on 30 March 2010. Draft internal audit reports issued by internal audit during the period of their appointment highlighting control weaknesses as well as a follow-up of the status of implementation of previous internal audit recommendations have not been responded to by management.

Attention should be focused on the adequacy (late), reliability and accuracy of financial reporting and is an area that can be improved upon.

A major problem in the attainment of efficient and timely reporting has been the previously mentioned delays in the provision of management comments to Internal Audit. This resulted in the late rendition of reports by PWC. Funding or budget constraints have always been a problem. However, the advantages of prudent expenditure in respect of Internal Audit Services is highlighted and justified by the enhanced and very acceptable reports received from the External Auditors, and the benefit of pro-active monitoring of all areas of governance within the municipality.

RECOMMENDATION

That the appointment of Internal Auditors be fast tracked and made timeously so that pro-active governance can be enacted efficiently and effectively, more especially considering the proposed deadline of 2013 for a clean audit. The value of a fair investment in this area of governance is worth its weight in gold. This is clearly evidenced by the positive occurrences of the past two years during which time the municipality has grown from strength to strength and developed a stature that has to be commended.

In addition the Municipal Manager should ensure that internal audit reports are dealt with on a timely basis and an action plan should be prepared to address the internal control weaknesses reported by internal audit.

RISK MANAGEMENT

The risk assessment performed during 18 November 2009 by Provincial Treasury was not tabled at the Audit Committee on a timely basis and the risk assessment was not updated at least on a regular basis.

RECOMMENDATION

The risk assessment should be tabled at the Audit Committee within a month of being performed and should be updated at least on a quarterly basis.

ACCOUNTING POLICIES

The accounting policies are consistent with those presented in 2008/2009 and are adequate.



RECOMMENDATION

The Chief Financial Officer should submit the Financial information (Section 71 and 72 reports) to the Audit Committee on a monthly and quarterly basis.

PERFORMANCE MANAGEMENT

This is an area of on-going concern. The PMS system was implemented during this financial year. As a result of the lack of personnel in this Department the function was spearheaded by the Accounting Officer and the IDP/LED Manager. A shared services arrangement with other Uthukela District Municipalities has been arranged.

The lack of acceptable cooperation from all levels of management and supervisors in the area of performance especially, leaves much to be desired. This makes the job of the people responsible for responding to queries instigated by Internal Audit very difficult and invariably results in the late rendition of reports required by the External Auditors amongst others.

Training and workshops held both locally and in Pietermaritzburg, by Treasury, were really beneficial and the skills transfers were much needed. The new structure that has been set-up and the shared services in the Uthukela District seem to be headed in the right direction. We look forward to a complete turnaround in performance management in the new year.

The inclusion of members of the Audit Committee as participants in the workshops was invaluable and afforded us much insight into the workings and requirements of a municipal entity. We do hope that this trend continues into the future so that we may add effective, additional value to the service we provide to the municipality.

RECOMMENDATION

The Mayor and Municipal Manager should ensure that adequate attention is given to performance management at both Organization and Management level.

EFFECTIVE GOVERNANCE

A formal review of the municipality's governance has not been conducted.

RECOMMENDATION

The Municipal Manager should ensure that a formal review and King III gap analysis be performed during 2010/2011.

COMPLIANCE

Compliance with King III, the annual Division of Revenue Act and any other applicable legislation. Internal audit noted areas of non-compliance with the MFMA, the Division of Revenue Act (DORA) and other legislation.

RECOMMENDATION

The Municipal Manager should ensure that the areas of non-compliance are investigated and appropriate action taken to resolve the issues.

PERFORMANCE EVALUATION

The annual performance evaluation by the Performance Evaluation Panel has not yet been conducted, while performance evaluations which should have been conducted by the Municipal Manager and the Mayor were not performed at the scheduled intervals.

RECOMMENDATION

The Mayor and Municipal Manager should evaluate the performance of the Municipal Manager and Management in line with their performance plans.



ISSUES REFERRED TO THE AUDIT COMMITTEE BY THE MUNICIPALITY

No specific issues were referred to the Audit Committee.

CONCLUSION

In conclusion we reiterate our position regarding the review of the draft financial statements and the Auditor General's report for 2010. A final report will be drawn as soon as these findings have been made available for review by the Audit Committee.

We wish to extend our thanks and appreciation to the management and staff at PWC and the office of the Auditor General, whose assistance and cooperation have been invaluable in ensuring that we have been able to provide a service that has added tremendous value to the Mtshezi Municipality and may have, in some way, improved the quality of governance and service delivery in their area of jurisdiction.

Kind regards

C I Narrandes
Chairperson – Mtshezi Local Municipality



4.4 DRAFT ANNUAL FINANCIAL STATEMENTS

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are 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 Practice (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 she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

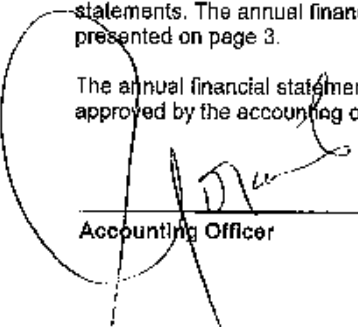
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the 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 7 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:



Accounting Officer

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMTSHEZI MUNICIPALITY

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 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 44.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2009 (Act No.12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) 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 International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umtshezi Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended are prepared, in accordance with SA Standards of GRAP to the financial statements and in the manner required by the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 34, to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during June 2010 in the financial statements of the Municipality at, and for the year ended 30 June 2010.

Unauthorised expenditure

10. As disclosed in note 39 to the financial statements unauthorised expenditure of R10, 200 million was incurred as a result of actual expenditure exceeding the budget.

Additional matter

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 45 to 51 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003)(MFMA),the Division of Revenue Act, 2009 (Act No.12 of 2009) (DoRA),Municipal Supply Chain Regulations of South Africa ,GRN 868 of 30 May 2005 (MSCM) and Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and financial management (internal control).

Predetermined objectives

14. Material findings on the report on predetermined objectives, as set out on pages 9 to 28 are reported below:

Non-compliance with regulatory and reporting requirements

Objectives budget

15. No evidence could be provided that the development objectives as contained in the IDP were budgeted for, as required in terms of regulation 6(a) of the Local Government: Municipal Planning and Performance Regulations, 2001.

Usefulness of information

16. The following criteria were used to assess the usefulness of the planned and reported performance:
- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
 - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
 - Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?
 - The following audit finding relates to the above criteria:

Planned and reported performance targets not specific/measurable/time bound

17. For the selected objectives, 50% of the planned and reported targets were not:
- Specific in clearly identifying the nature and the required level of performance;
 - Measurable in identifying the required performance;
 - Time bound in specifying the time period or deadline for delivery.
18. A comparison of performance with targets set in the previous financial year, and measures taken to improve performance were not disclosed in the annual performance report as required by paragraph 46(b) of the MSA.

Compliance with laws and regulations

Municipal Finance Management Act, No. 56 of 2003

Payments in excess of approved limits

19. Payments totalling R340 000 were made in excess of the approved limits of the original agreement, this is in contravention with section 116 (2) of the MFMA.

Tenders awarded without stipulating terms and conditions

20. Tenders have been awarded to suppliers without stipulating the terms and conditions of the contract as required by section 116(1) of the MFMA.

Bank overdraft

21. The letter sent to National Treasury notifying Treasury of the net overdrawn account balance of the Municipality was not in the format prescribed by section 70 (2) of the MFMA.

Annual financial statements

22. Contrary to the requirements of section 122(1)(a) of the MFMA, the financial statements submitted for audit were subject to material adjustments due to errors noted during the audit.

Municipal Supply Management Regulations GRN 868 of 30 May 2005**Evaluation criteria for disallowance of prohibited suppliers**

23. Tenders have been awarded without evaluation of whether the supplier is prohibited from doing business with the public sector before awarding of the contract as required by section 14(c) of the MSCM Regulations.

INTERNAL CONTROL

24. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the following key laws and regulations MFMA, MSA, and SCM Regulations, but not for the purposes of expressing an opinion on the effectiveness of internal control.

25. The matters reported are limited to the significant deficiencies that gave rise to the findings on the report on predetermined objectives and compliance.

Financial and performance management

26. Management did not implement policies and procedure necessary to ensure that performance is adequately monitored and reported on.

Pietermaritzburg

Auditor General

30 November 2010



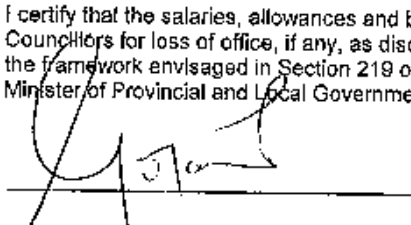
AUDITOR GENERAL

Auditing to build public confidence

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements which are set out on pages 6 to 40 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Accounting Officer
31 August 2010

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

	Note(s)	2010 R	2009 Restated R
Assets			
Current Assets			
Inventories	6	388,468	368,540
Trade and other receivables	7	3,340,493	4,074,620
VAT receivable	8	2,469,131	3,762,517
Consumer debtors	9	49,433,233	48,518,655
Financial assets - Investments	5	156,348	9,559,351
Cash and cash equivalents	10	-	3,147,727
		55,787,673	69,431,410
Non-Current Assets			
Property, plant and equipment	2	632,289,591	619,750,035
Intangible assets	3	246,716	164,452
Loans and receivables		805,701	725,818
Financial assets - Investments	5	97,921	92,221
		633,439,929	620,732,526
Non-Current Assets		633,439,929	620,732,526
Current Assets		55,787,673	69,431,410
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		689,227,602	690,163,936
Liabilities			
Current Liabilities			
Finance lease obligation	11	1,112,058	900,152
Trade and other payables	15	18,347,842	27,230,003
Consumer deposits	16	2,196,927	2,041,324
Unspent conditional grants and receipts	12	2,878,852	12,693,493
Provisions	13	6,360,642	3,513,465
Bank overdraft	10	5,145,574	-
		36,041,895	46,378,437
Non-Current Liabilities			
Finance lease obligation	11	3,357,504	3,330,307
Interest bearing borrowing	14	2,242,107	2,235,175
		5,599,611	5,565,482
Non-Current Liabilities		5,599,611	5,565,482
Current Liabilities		36,041,895	46,378,437
Liabilities of disposal groups		-	-
Total Liabilities		41,641,506	51,943,919
Assets		689,227,602	690,163,936
Liabilities		(41,641,506)	(51,943,919)
Net Assets		647,586,096	638,220,017
Net Assets			
Reserves			
Housing dedicated fund		1,095,260	1,095,260
Accumulated surplus		646,490,836	637,124,757
Total Net Assets		647,586,096	638,220,017

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

	Note(s)	2010 R	2009 Restated R
Revenue	17	185,893,721	154,150,289
Revenue		185,893,721	154,150,289
Cost of sales		-	-
Other income		1,386,213	858,425
Operating expenses		(184,312,839)	(159,460,039)
		185,893,721	154,150,289
		(182,926,626)	(158,601,614)
Operating surplus (deficit)		2,967,095	(4,451,325)
Investment revenue		333,148	2,591,467
Write off of non-current assets		(133,685)	-
Finance costs	26	(917,286)	(1,087,103)
Profit (loss) for the period from continuing operations		2,249,272	(2,946,961)
Profit (loss) from discontinued operations		-	-
Surplus (deficit) for the year		2,249,272	(2,946,961)

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

	Housing dedicated Fund R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	1,222,426	653,037,749	654,260,175
Changes in net assets			
Deficit for the year	-	(2,946,961)	(2,946,961)
Current year movements	(127,166)	-	(127,166)
Corrections of previous misstatements	-	(5,204,325)	(5,204,325)
Total changes	(127,166)	(8,151,286)	(8,278,452)
Opening balance as previously reported	1,095,260	644,886,463	645,981,723
Adjustments			
Prior year adjustments	-	(7,761,706)	(7,761,706)
Balance at 01 July 2009 as restated	1,095,260	637,124,757	638,220,017
Changes in net assets			
Change in net assets	-	5,856,836	5,856,836
Prior year adjustments	-	1,259,971	1,259,971
Net income (losses) recognised directly in net assets	-	7,116,807	7,116,807
Surplus for the year	-	2,249,272	2,249,272
Total recognised income and expenses for the year	-	9,366,079	9,366,079
Total changes	-	9,366,079	9,366,079
Balance at 30 June 2010	1,095,260	646,490,836	647,586,096

Note(s)

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

	Note(s)	2010 R	2009 Restated R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		184,979,143	156,872,478
Payments			
Cash paid to suppliers and employees		(167,518,149)	(142,125,113)
Finance costs		(917,286)	(1,087,103)
Decrease in housing fund		-	(127,166)
		(168,435,435)	(143,339,382)
Total receipts		184,979,143	156,872,478
Total payments		(168,435,435)	(143,339,382)
Net cash flows from operating activities	30	16,543,708	13,533,096
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(24,904,028)	(21,272,405)
Write off and sale of property, plant and equipment	2	-	1,722,750
Purchase of other intangible assets	3	(170,544)	-
Decrease in financial investments		9,397,303	18,618,249
Decrease in Government grants		(9,814,641)	(13,136,122)
Interest received		333,148	2,591,467
Increase in loans and receivables		(79,883)	547,869
Net cash flows from investing activities		(25,238,647)	(10,928,192)
Cash flows from financing activities			
Increase in interest bearing borrowing		6,932	2,235,175
Movement in finance lease obligation		239,103	1,438,291
Increase in consumer deposits		155,603	320,873
Net cash flows from financing activities		401,638	3,994,339
Net increase/(decrease) in cash and cash equivalents		(8,293,301)	6,599,243
Cash and cash equivalents at the beginning of the year		3,147,727	(3,451,516)
Cash and cash equivalents at the end of the year	10	(5,145,574)	3,147,727

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

uMtshezi Municipality is situated in KwaZulu Natal in South Africa.

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

In adopting GRAP, the municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended 30 June 2010. 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 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.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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 13 - 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.

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Directive 4

As allowed by the transitional provisions included in Directive 4, the following asset classes have not been measured in the accordance with the relevant GRAP for the year ended June 30, 2010:

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

Management has estimated provisional amounts for each of these assets classes which are included in the statement of financial position. These amounts are subject to change once the measurement process has been completed, which is expected to occur by June 30, 2011.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment reporting
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from non-exchange transactions (taxes and transfers)
GRAP 25 Employee benefits
GRAP 26 Impairment of cash-generating assets
GRAP 103 Heritage assets
GRAP 104 Financial instruments

The municipality has not applied the following accounting statements and interpretations that have been issued but are not yet effective. These will be applied by the municipality when they become effective.

IFRS 2 Amendments to IFRS 2 Share-based payments - Group cash settled share-based payment arrangements.
This amendment is required for years commencing on or after 1 January 2010 but is not expected to be relevant to the activities of the municipality.

IFRS 9 Financial instruments

This new standard is required for years commencing on or after 1 January 2013. The impact of this standard is currently being determined.

IAS 24 Related party disclosures

This amended standard is required for years commencing on or after 1 January 2011 but is not expected to have a material impact on the municipality.

IAS 32 Amendments to IAS 32 Financial instruments: Presentation – Classification of rights issues

This amendment is required for years commencing on or after 1 February 2010 but is not relevant to the activities of the municipality.

IFRIC 14 Amendments for prepayments of a minimum funding requirement

This amended interpretation is required for years commencing on or after 1 January 2011 but is not expected to be relevant to the activities of the municipality.

IFRIC 19 Extinguishing financial liabilities with equity instruments

This interpretation is required for years commencing on or after 1 July 2010 but is not expected to be relevant to the activities of the municipality.

Improvements to IFRS (April 2009)

These annual improvements are required mostly for years commencing on or after 1 January 2010 and are not expected to be relevant to the activities of the municipality.

Improvements to IFRS (May 2010)

These annual improvements are required mostly for years commencing on or after 1 January 2011 and are not expected to be relevant to the activities of the municipality.

1.2 Property, plant and equipment

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Revaluations are made with sufficient regularity such 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 increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
Property and permanent works	30 years
Plant and equipment	10 years
Vehicles	7 years
Office equipment and furniture	7 years
Leased Assets- Vehicles	5 years
Other leased Assets	5 years

The residual value, the useful life and depreciation method of each asset is 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 is depreciated separately.

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

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

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 a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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Accounting Policies

1.4 Intangible assets (continued)

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

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

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

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

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

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

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.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and intangible assets are recognised and measured in accordance with the requirements of the Standard of GRAP on intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current assets held for Sale and discontinued operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on intangible assets.

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

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Financial instruments (continued)

recognition.

Initial recognition and measurement

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

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

Subsequent measurement

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

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 for salary overpayments.

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 costs as a loan receivable.

Bank overdraft and borrowings

Bank overdrafts 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

uMtshezi Local Municipality

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Accounting Policies

1.5 Financial instruments (continued)

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

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

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

Financial liabilities

A financial liability is derecognised when the obligation 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.

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.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

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

Operating leases - lessor

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.6 Leases (continued)

Operating lease income is recognised as 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 statement of financial performance.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

Transitional provision

The municipality changed its accounting policy for inventories in 2009. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on inventories. Inventories have accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current assets held for sale and discontinued operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.8 Impairment of assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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 or 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 accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of revalued assets is treated as a revaluation decrease.

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

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

uMtshezi Local Municipality

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Accounting Policies

1.8 Impairment of assets (continued)

Impairment of assets have 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

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 absenteeism is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absenteeism, 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 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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the 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 is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

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.

1.11 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:

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Accounting Policies

1.11 Revenue from exchange transactions (continued)

- 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;
- 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 the 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
- the 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 and 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.

1.12 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 revenue can be measured reliably.

Grants, transfer 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.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

1.13 Investment income

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of 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.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 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 Officers 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.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

uMtshezi Local Municipality

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Accounting Policies

1.21 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.

1.22 Housing subsidies

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

1.23 Purchase of service

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

1.24 Gratuities

The municipality 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.

1.25 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.

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Notes to the Annual Financial Statements

2010
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2009
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2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Property and permanent works	668,928,407	(83,063,541)	585,864,866	663,748,051	(71,812,271)	591,935,780
Plant and equipment	7,058,727	(4,535,655)	2,523,072	6,317,131	(4,263,838)	2,053,293
Motor vehicles	6,000,097	(4,159,715)	1,840,382	3,603,892	(3,424,937)	178,955
Office equipment and furniture	9,109,956	(936,728)	8,173,228	9,673,299	(6,506,075)	3,167,224
Capital work in progress	30,037,320	-	30,037,320	17,976,654	-	17,976,654
Finance lease assets	6,477,094	(3,143,848)	3,333,246	5,594,142	(1,402,859)	4,191,283
Landfill site	646,846	(129,369)	517,477	246,846	-	246,846
Total	728,258,447	(95,968,856)	632,289,591	707,160,015	(87,409,980)	619,750,035

uMtshezi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Review of useful life	Other changes, movements	Depreciation	Total
Property and permanent work	591,935,779	5,180,356	-	4,205,596	-	-	(15,456,865)	585,864,866
Plant & equipment	2,053,293	741,596	-	-	-	-	(271,817)	2,523,072
Motor vehicles	178,955	-	(6,979)	-	-	3,058,452	(302,164)	2,928,264
Office equipment & furniture	3,167,224	1,832,862	(126,074)	-	1,512,148	1,285,606	(586,420)	7,085,346
Finance lease assets	4,191,284	882,952	-	-	-	-	(1,740,990)	3,333,246
Capital work in progress	17,976,654	16,266,262	-	(4,205,596)	-	-	-	30,037,320
Landfill site	246,846	-	-	-	-	400,000	(129,369)	517,477
	619,750,035	24,904,028	(133,053)	-	1,512,148	4,744,058	(18,487,625)	632,289,591

uMtshezi Local Municipality

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Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Property and permanent works	615,076,018	2,166,508	(1,722,750)	-	(7,621,000)	(15,716,151)	592,182,625
Plant & equipment	2,222,159	88,372	-	-	-	(257,238)	2,053,293
Motor vehicles	230,578	-	-	-	-	(51,623)	178,955
Office equipment & furniture	3,875,002	219,604	-	(164,531)	-	(762,851)	3,167,224
Finance lease assets	2,616,908	821,267	-	-	1,540,076	(786,967)	4,191,284
Capital work in progress	-	17,976,654	-	-	-	-	17,976,654
	624,020,665	21,272,405	(1,722,750)	(164,531)	(6,080,924)	(17,574,830)	619,750,035

Transitional provision

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2011.

Assets subject to finance lease (Net carrying amount)

Finance lease assets	3,333,246	4,191,284
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Revaluations

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

Land and buildings are re-valued independently every 5 years.

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.

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

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2009
R

2. Property, plant and equipment (continued)

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

Land & Building 559,528,208 567,149,208

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

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	869,424	(622,708)	246,716	698,801	(534,349)	164,452

Transitional provision

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	164,452	170,544	(146)	(88,134)	246,716

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Computer software, other	698,880	(534,428)	164,452

Transitional provisions

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 3 above.

4. Retirement benefits

Defined benefit plan

All municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Pension Fund (Retirement) or provident fund which are administered by the board of trustees.

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.

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
4. Retirement benefits (continued)		
Municipal employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund or Pension Fund. All contributions have been included in the employee related cost note.		
Certain councillors have opted to join the Municipal Council's Pension Fund.		
5. Financial assets - Investments		
Current portion		
First National Bank		
Call Account	155,197	250,303
Business fixed deposits	-	9,307,926
ABSA call account	1,151	1,122
	156,348	9,559,351
Non current portion		
Nedbank fixed deposits	15,464	15,464
Borough of Dundee	15,200	15,200
Standard Bank	12,528	12,528
FNB fixed deposit	29,729	24,029
FNB fixed deposit	11,000	11,000
FNB fixed deposit	14,000	14,000
	97,921	92,221
6. Inventories		
Consumable stores	388,468	368,540
Transitional provisions		
According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2011.		
In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and inventories has accordingly been recognised at provisional amounts, as disclosed in 6 above.		
7. Trade and other receivables		
Sundry debtors	3,340,493	4,049,574
Prepayments	-	25,046
	3,340,493	4,074,620
Conditional grants overspent		
Municipal systems infrastructure grant (MSIG)	1,470,000	2,205,000
Hostel development and upgrading	1,337,810	-
Department of minerals and energy grant (DME)	518,358	-
	3,326,168	2,205,000
8. VAT receivable		
VAT Refundable	2,469,131	3,762,517

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
9. Consumer debtors		
Gross balances		
Rates	46,950,601	47,935,212
Electricity	12,967,600	7,517,708
Refuse	9,844,574	7,121,609
Sundry debtors	7,558,549	3,603,103
	77,321,324	66,177,632
Less: Provision for debt impairment		
Rates	(21,929,290)	(14,616,645)
Electricity	(4,804,628)	(3,042,332)
Refuse	(1,154,173)	-
	(27,888,091)	(17,658,977)
Net balance		
Rates	25,021,311	33,318,567
Electricity	8,162,972	4,475,376
Refuse	8,690,401	7,121,609
Sundry debtors	7,558,549	3,603,103
	49,433,233	48,518,655
Rates		
Current (0 -30 days)	3,313,691	1,951,401
31-60 days	1,490,690	865,187
61 - 90 days	1,264,387	1,226,947
91 - 120 days	18,952,543	29,275,032
	25,021,311	33,318,567
Electricity		
Current (0 -30 days)	8,162,972	3,793,803
31 - 60 days	-	458,912
61 - 90 days	-	222,661
	8,162,972	4,475,376
Refuse		
Current (0 -30 days)	436,953	200,765
31 - 60 days	179,393	163,699
61 - 90 days	276,847	155,642
91 - 120 days	7,797,208	6,601,503
	8,690,401	7,121,609
Sundry debtors		
Current (0 -30 days)	806,036	636,767
31 - 60 days	79,838	27,918
61 - 90 days	200,180	37,465
91 - 120 days	6,472,495	2,900,953
	7,558,549	3,603,103
Reconciliation of bad debt provision		
Balance at beginning of the year	(17,658,977)	(13,813,938)
Contributions to provision	(27,888,091)	(17,658,977)
Reversal of provision	17,658,977	13,813,938

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
9. Consumer debtors (continued)		
	(27,888,091)	(17,658,977)

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 or to historical information about counterparty default rates.

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 2010, R 5,518,483 (2009: R 7,189,342) were past due but not impaired.

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

1 month past due	3,213,588	5,690,573
2 months past due	2,304,895	1,844,553
3 months past due	60,736,387	62,732,180

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 27,888,091 (2009: R 17,658,978) were impaired and provided for.

The amount of the provision was R 27,888,091 as of 30 June 2010 (2009: R 17,658,978).

The ageing of these loans is as follows:

Over 3 months	27,888,091	17,658,978
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10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,692	8,753
Bank balances	-	3,138,974
Bank overdraft	(5,155,266)	-
	(5,145,574)	3,147,727
Current assets	-	3,147,727
Current liabilities	(5,145,574)	-
	(5,145,574)	3,147,727

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
First National Bank -Current Account -Account number 52200363994	(4,408,001)	5,167,220	-	2,798,354
First National Bank -Current Account -Account number 62216024737	-	781	-	781
First National Bank -Current Account -Account number 622116021345	-	258,390	-	258,390

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

		2010 R	2009 R
10. Cash and cash equivalents (continued)			
Total	(4,408,001)	5,426,391	- (5,145,574)
11. Finance lease obligation			
Minimum lease payments due			
- within one year		1,825,312	1,523,337
- in second to fifth year inclusive		5,467,848	4,814,423
- later than five years		306,564	715,316
		<u>7,599,724</u>	<u>7,053,076</u>
less: future finance charges		(3,130,162)	(2,822,617)
Present value of minimum lease payments		4,469,562	4,230,459
Present value of minimum lease payments due			
- within one year		1,112,058	900,152
- in second to fifth year inclusive		3,055,192	2,743,131
- later than five years		302,312	587,176
		<u>4,469,562</u>	<u>4,230,459</u>
Non-current liabilities		3,357,504	3,330,307
Current liabilities		1,112,058	900,152
		4,469,562	4,230,459
It is municipality policy to lease motor vehicles and equipment under finance lease.			
Interest rates are linked to prime less 2% at contract date. Contingent rents have been recognised as an expense R 16 576 (2009: R120 601) 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 R1 112 058.00 (2009: R1 012 889.00)			
The average lease term is 5 years.			
12. Unspent conditional grants and receipts			
Deferred income comprises:			
Municipal infrastructure grant (MIG)		2,567,499	1,496,742
Department of minerals and energy (DME) grant		-	20,127
Municipal assistance programme (MAP) grant		210,291	575,090
Finance management grant (FMG)		16,514	487,650
Hostel development and upgrading		-	9,613,884
Good governance grant		84,547	500,000
		<u>2,878,851</u>	<u>12,693,493</u>
Movement during the year			
Balance at the beginning of the year		12,693,493	25,829,615
Additions / Transfers during the year		15,242,169	7,774,000
Income recognition during the year		(25,056,810)	(20,910,122)
		2,878,852	12,693,493
MIG Grant			
Balance unspent at the beginning of the year		1,496,742	1,541,355
Current year receipts		12,636,000	3,899,000

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Unspent conditional grants and receipts (continued)		
Conditions met - transferred to revenue	(11,565,243)	(3,943,613)
Conditions met	2,567,499	1,496,742
DME Grant		
Balance unspent at the beginning of the year	20,127	-
Current year receipts	-	1,200,000
Transferred to sundry debtors	518,358	-
Conditions met - transferred to revenue	(538,485)	(1,179,873)
Conditions met	-	20,127
MAP Grant		
Balance unspent at the beginning of the year	575,090	521,817
Current year receipts	-	400,000
Conditions met - transferred to revenue	(364,799)	(346,727)
	210,291	575,090
MSIG Grant		
Balance unspent at the beginning of the year	-	1,206
Current year receipts	-	1,275,000
Conditions met - transferred to revenue	-	(1,276,206)
Conditions still to be met - remain liabilities	-	-
FMG Grant		
Balance unspent at the beginning of the year	487,650	380,294
Current year receipts	750,000	500,000
Conditions met - transferred to revenue	(1,221,136)	(392,644)
Conditions still to be met - remain liabilities	16,514	487,650
Hostel development and upgrading		
Balance unspent at the beginning of the year	9,613,884	23,384,943
Current year receipts	-	-
Transferred to sundry debtors	1,337,810	-
Conditions met - transferred to revenue	(10,951,694)	(13,771,059)
Conditions still to be met - remain liabilities	-	9,613,884
Good governance grant		
Balance unspent at the beginning of the year	500,000	-
Current year receipts	-	500,000
Conditions met - transferred to revenue	(415,453)	-
Conditions still to be met - remain liabilities	84,547	500,000

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.

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 assistance programme is the funding from local government used to assist the municipality in the areas of financial management and other capital projects required to ensure the financial viability of the municipality.

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010	2009
	R	R

12. Unspent conditional grants and receipts (continued)

MSIG Grant

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the 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 the DBSA to fund the implementation of the Municipal Property Rates Act. This grant will be used to assist in the payment of the DBSA loan which is repayable in one year's time. The valuation roll expenditure had already been incurred which resulted in an over expenditure of the MSIG grant as at 30 June 2009. This grant received in the 2010 financial year was fully recognised in the 2009 financial year and was therefore allocated against the over expenditure of the grant that is allocated in sundry debtors.

FMG Grant

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management. The unspent portion will be used to complete the same projects.

Hostel development and upgrading

This grant was received from provincial government in 2006 and was used for the upgrading and development of the Kwezi hostel. The project is still in its infancy stage and the grant received has been overspent. Additional funding allocated in the following financial years will ensure that the project is completed.

13. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Legal proceedings	-	183,540	-	183,540
Leave pay provision	3,513,465	5,777,102	(3,513,465)	5,777,102
Provision for landfill site	-	400,000	-	400,000

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

The landfill site provision is a provision to rehabilitate the landfill site. The land fill site currently has an estimated useful life of 5 years. A valuation for the rehabilitation of landfill site was conducted by the municipality and certified by authorised civil engineers.

A dispute was in progress as at June 30, 2010 relating to the erection of billboards in the uMtshezi area. It was probable that there would be an outflow of economic benefit as a result of the dispute, and therefore a provision has been raised in accordance with the GRAP standard on provisions and contingent liabilities.

Leave pay provision is calculated on all outstanding leave balances as at 30 June 2010. This is the amount that the employees would be entitled to receive should the employees resign or cease employment with the municipality on 30 June 2010.

14. Interest bearing borrowing

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, payables every six months. There will be four equal six monthly capital repayments.

15. Trade and other payables

Trade payables	15,682,934	21,912,001
Revenue received in advanced - prepaid electricity meters	590,180	193,476
Audit fee accrual	920,000	900,000

uMtshezi Local Municipality

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	2010 R	2009 R
15. Trade and other payables (continued)		
Accrued interest	-	488,932
Sundry creditor	1,154,728	3,735,594
	18,347,842	27,230,003

The fair value of trade and other payables approximates the carrying amount.

16. Consumer deposits

Electricity	2,196,927	2,041,324
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Interest is not paid to consumers when deposits are refunded.

Guarantees held in lieu of electricity deposits R1 885 965 (2009: R1 885 965).

17. Revenue

Rendering of services	944,519	3,388,540
Property rates	29,163,986	26,232,141
Property rates – Penalties imposed and collection charges	5,007,707	5,182,690
Service charges	101,723,939	76,621,639
Rental of facilities & equipment	748,325	749,027
Fines	345,986	199,256
Licences and permits	4,010,167	4,554,279
Government grants & subsidies	43,949,092	37,222,717
	185,893,721	154,150,289

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	944,519	3,388,540
Service charges	101,723,939	76,621,639
Rental of facilities & equipment	748,325	749,027
Licences and permits	4,010,167	4,554,279
	107,426,950	85,313,485

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	29,163,986	26,232,141
Property rates – Penalties imposed and collection charges	5,007,707	5,182,690
Fines	345,986	199,256
Government grants & subsidies	43,949,092	37,222,717
	78,466,771	68,836,804

uMtshezi Local Municipality

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	2010 R	2009 R
18. Property rates		
Rates received		
Property rates	29,163,986	26,232,141
Property rates - penalties imposed and collection charges	29,163,986 5,007,707	26,232,141 5,182,690
	34,171,693	31,414,831

Updating of the valuation roll is done every five years. With the implementation of the municipal property rates act (MPRA) which came into effect on July 01, 2008, all the properties on the valuation roll were revalued to market related values.

The following general rates applied:

CATEGORY	IMPERMISSABLE	REBATE	RANDAGE
Residential	30 000	55%	0.0151
Commercial	-	As Per Table	0.03
Agriculture	-	50%	0.0025
Public Service Infrastructure	-	First 30% non rated	0.025
State Owned	-	-	0.025
Industrial	-	As Per Table	0.03

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	30%
>1.5 million – 2.5 million	35%
>2.5 million – 7.5 million	25%
>7.5 million -10 million	27%
>10 million	22.5%

REBATES FOR INDUSTRIAL PROPERTIES

Value of property	Rebate
0-1 Million	25%
>1-2 million	20%
>2-5 million	38%
>5-36 million	45%
>36 million	68%

ADDITIONAL RELIEF

Usage / Owner	Additional rebate
Bed and breakfast	25%
Bed and breakfast (non resident)	20%
Pensioner	12.50%

Rates are levied on a monthly basis.

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

Property valuations		
Agriculture	607,712,000	607,158,000
Agricultural smallholding	102,446,000	111,843,000
Commercial	366,949,000	429,815,000
Communal property	134,304,000	134,915,000
Game farms	22,341,000	22,341,000
Industrial	333,173,000	268,914,000
Institutional	22,532,000	10,606,000
Municipal	341,978,333	559,808,333
Public benefit organisation	2,970,000	-
Public service infrastructure	38,550,845	37,816,845

uMtshezi Local Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R
18. Property rates (continued)		
Residential	1,529,424,120	1,538,589,120
Residential hospitality	23,093,000	11,712,000
Sectional title - Commercial	7,800,000	12,028,000
Sectional title - Residential	55,876,000	55,876,000
Sectional title - Residential hospitality	2,043,000	2,043,000
State owned	285,308,000	273,603,000
Place of worship	43,114,000	34,761,000
	3,919,614,298	4,111,829,298
19. Service charges		
Sale of electricity	96,669,272	71,850,261
Refuse removal	5,054,667	4,771,378
	101,723,939	76,621,639
20. Government grants and subsidies		
Equitable share	16,937,643	13,841,189
DME	538,485	2,859,303
Department of Health grant	1,573,639	1,333,912
Municipal infrastructure grant	11,565,243	6,250,919
Hostel development and upgrade	10,951,694	9,926,888
MSIG	100,000	1,275,000
Good Governance grant	415,453	-
MAP grant	364,799	767,862
Finance management grant	1,221,136	392,644
Councillors remuneration grant	-	575,000
Subsidy province	281,000	-
	43,949,092	37,222,717
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
21. Other revenue		
Administration and management fees received - third party	2,590	-
Fees earned	37,192	-
Discount received	2	4,103
Other income	1,346,429	854,322
	1,386,213	858,425

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
22. General expenses		
Advertising	618,366	214,339
Auditors remuneration	1,657,919	1,684,757
Bank charges	541,193	293,803
Cleaning	11,975	44,660
Commission paid	343,714	442,838
Consulting and professional fees	1,954,430	4,267,296
Entertainment	66,022	154,238
Fines and penalties	-	30,094
Insurance	503,327	452,433
IT expenses	3,566	185,984
Fleet	314,416	277,879
Promotions and sponsorships	97,705	75,093
Levies	195,579	178,637
Medical expenses	104,637	99,216
Pest control	2,880	2,868
Fuel and oil	987,045	1,472,311
Postage and courier	265,250	237,631
Printing and stationery	543,635	451,720
Protective clothing	295,421	198,623
Project maintenance costs	1,431,159	1,410,544
Security (Guarding of municipal property)	2,477,204	1,823,621
Software expenses	371,468	244,450
Telephone and fax	1,128,203	1,073,733
Transport and freight	-	2,004
Training	113,004	105,147
Travel - local	716,556	483,674
Electricity	866,247	841,796
Sewerage and waste disposal	724,479	13,280
Water	1,087,370	931,669
Refuse	22,473	23,004
Utilities - 2	-	1,949,192
Tourism development	-	32,750
Chemicals	102,221	87,223
Other expenses	5,302,835	9,887,148
	22,850,299	29,673,655

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
23. Employee related costs		
Basic	30,977,983	23,392,055
Bonus	2,679,684	3,835,673
Medical aid - company contributions	2,249,799	1,869,952
SDL	381,430	341,221
Other payroll levies	14,338	13,806
Leave pay provision charge	2,263,638	76,840
Post-employment benefits - Pension - Defined contribution plan	4,867,735	3,757,150
Overtime payments	1,581,183	1,269,975
Car allowance	975,151	862,909
Housing benefits and allowances	319,258	475,149
Other allowances	380,334	543,768
Redemption of leave	140,382	121,863
Insurance	520,200	452,085
	47,351,115	37,012,446
Remuneration of municipal manager		
Annual remuneration	827,075	731,924
Car allowance	9,634	22,049
	836,709	753,973
Remuneration of chief finance officer		
Annual remuneration	485,900	286,687
Car allowance	120,000	80,000
	605,900	366,687
Remuneration of Director Corporate Services		
Annual remuneration	29,014	308,112
Car allowance	17,714	223,093
Performance Bonuses	-	74,751
Leave pay	119,643	-
	166,371	605,956
Remuneration of Director Planning, Economic & Corporate Services		
Annual remuneration	343,047	296,370
Car allowance	243,614	173,390
Performance Bonuses	-	79,423
Leave pay	-	101,318
	586,661	650,501
Remuneration of councillors		
Executive Mayor	400,370	363,322
Deputy Executive Mayor	320,296	290,653
Speaker	320,296	290,657
Councillors	1,277,583	1,089,960
Councillors pension and medical aid contribution	364,987	337,863
Executive committee members	165,153	149,871
Councillors allowances	994,456	1,098,553
	3,843,141	3,620,879

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
24. Debt impairment		
Contributions to debt impairment provision	8,629,584	8,341,555
Bad debts written off	1,859,289	-
	10,488,873	8,341,555
25. Depreciation and amortisation		
Property, plant and equipment	18,575,759	17,574,832
26. Finance costs		
Non-current borrowings	148,837	54,981
Finance leases	768,449	1,032,122
	917,286	1,087,103
27. Auditors' remuneration		
Fees	1,052,196	1,523,473
Audit fees: External	585,723	-
	1,637,919	1,523,473
28. Rental of facilities and equipment		
Premises		
Venue hire	748,325	749,027
Premises	748,325	749,027
Garages and parking	-	-
Facilities and equipment	-	-
29. Bulk purchases		
Electricity	74,022,509	55,370,513
30. Cash generated from operations		
Surplus (deficit)	2,249,272	(2,946,961)
Adjustments for:		
Depreciation and amortisation	18,575,759	17,574,832
Write off of non-current assets	133,685	-
Loss on investments	-	1,943,063
Interest income	(333,148)	(2,591,467)
Adjustments for GRAP	-	(7,147,389)
Changes in working capital:		
Inventories	(19,928)	427,991
Trade and other receivables	734,127	(2,973,713)
Consumer debtors	(914,578)	2,722,189
Movements in provisions	2,847,177	76,840
Trade and other payables	(8,022,044)	10,548,581
VAT	1,293,386	(3,973,704)
Decrease in housing fund	-	(127,166)
	16,543,708	13,533,096

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
31. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Kwezi Hostel	-	9,613,885
• Public Toilets	-	150,000
• Parking lot	350,000	-
• MIG- Excellence @ Work	318,118	-
• MIG- Sharma consulting	527,895	-
• MIG- Zamolwe-africa consulting	542,453	-
• MIG Registered Projects	32,441,000	-
	34,179,466	9,763,885

This committed expenditure relates to the construction of the parking lot and will be financed by council funding.

32. Contingencies

Litigation is in the process against the municipality relating to a dispute with a supplier. The municipality's lawyers and management were negotiating with the suppliers and some of the matters have been resolved.

The following were disputes as at June 30, 2010:

SROR R1,218,342,

The matter with SROR is still in progress. The dispute arose as a result of RDP houses that were built that did not satisfy the quality requirements of the municipality. This cost is recognised in current liabilities as this cost meets the definition and recognition requirements of a liability.

There is no reimbursement from any third parties for potential obligations of the municipality.

33. Related parties

A related party exists between the municipality and Inkomfe Trust.

A section 21 company was formed by way of council resolution. The company has not been operating for the past 4 years. The assets were lost / transferred back to the municipality. The bank account was closed and is no longer active.

34. Prior period errors

Property and permanent works was revalued in 2009 in line with the Municipal Property Rates Act. The municipal valuers have realised that the municipal property was overvalued by R7,621,000. Municipal land is not depreciated and there was no effect on depreciation.

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

Statement of financial position

Property, plant and equipment	6,361,032	(7,621,000)
Long term liabilities	-	(30,175)
Cash and cash equivalents	-	12,528

Statement of financial performance

Interest due	-	30,175
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Cash flow statement

Cash flow from operating activities

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
34. Prior period errors (continued)		
Finance charges	-	30,175
Cash flow from investing activities		
Increase in investments	-	12,528
Decrease in property, plant and equipment	-	(7,621,000)
	-	(7,608,472)
Cash flow from financing activities		
Increase in long term liabilities	-	30,175

35. Comparative figures

Certain comparative figures have been reclassified.

The leases relating to the hire of office equipment was previously classified as an operating lease. In terms of GRAP 13, the rental period of the office equipment of five years is equal to the useful life of the equipment and should therefore be classified as finance leases.]

The effects of the reclassification are as follows:

Statement of financial position

Property, plant and equipment	632,289,591	619,750,035
Long term liabilities	(3,357,504)	(3,217,570)
Finance lease obligation	(1,112,058)	(1,012,889)

Statement of financial performance

Finance charges	607,890	565,626
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36. Risk management

Liquidity risk

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

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.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on that portion of financial assets - investments and borrowings. With all other variables held constant, the municipal surplus for the year is affected through the impact on variable rate investments and borrowings as follows:

2010

2% Increase in investments	5,085	-
2% Decrease in investments	-	(5,085)

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
36. Risk management (continued)		
2% Increase in loans	-	(134,233)
2% Decrease in loans	134,233	-
2009		
2% Increase in investments	193,031	-
2% Decrease in investments	-	(193,031)
2% Increase in loans	-	(129,313)
2% Decrease in loans	129,313	-
	461,662	(461,662)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored.

Fair value hierarchy

The municipality does not carry any of its financial assets at fair value. The fair value hierarchy disclosure is therefore of no relevance and has not been included.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

37. Going concern

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

38. Events after the reporting date

The municipality was facing litigation with regards to the erection of billboards. A provision was raised for the contingent liability as it was probable that an outflow of economic resources would occur. During July 2010, settlement was reached on the matter and the municipality had paid R183 540.

39. Unauthorised expenditure

At the time of completion the annual financial statements, there appears to be unauthorised expenditure.

Description (Budget vs Actual)

Salaries and wages	43,292,037	44,706,047
Remuneration of councillors	3,670,286	386,141
Provision for doubtful debts	4,000,000	10,488,873
Depreciation	18,000,000	18,575,759
Finance charges	342,500	917,286
Other expenditure	27,735,542	30,204,910
Capital	19,900,000	23,055,422
	116,940,365	128,334,438

40. Fruitless and wasteful expenditure

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
40. Fruitless and wasteful expenditure (continued)		
At the time of completion of the annual financial statement, there appears to be no fruitless and wasteful expenditure.		
41. Irregular expenditure		
Opening balance	349,900	-
Less: Expenditure approved by Full Council	(349,900)	-
Add: Irregular Expenditure - current year	-	-
Emergency orders not signed	-	87,153
Quotes not obtained	-	262,747
Competitive price not obtained	340,000	-
	340,000	349,900

Details of irregular expenditure condoned

-

Irregular expenditure condoned by full council

Emergency orders	87,153	-
Quotes not obtained	262,747	-
	349,900	-

Details of irregular expenditure - current year

-

Irregular expenditure under investigation

Lowest quotation not obtained	340,000	-
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Irregular expenditure for the 2010 financial year was due to a procurement being made to a supplier that did not provide the lowest quotation. The matter is investigated and appropriate disciplinary steps are being initiated.

42. 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 the municipality operations.

GRAP Conversion Project

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

43. Additional disclosure in terms of Municipal Finance Management Act

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

44. Actual operating expenditure versus budgeted operating expenditure

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

45. Electricity Losses

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
45. Electricity Losses (continued)		
Electricity units purchased from Eskom		
Estcourt (units)	208,915,222	211,372,054
Wembezi (units)	12,422,189	12,094,691
TOTAL (units)	221,337,411	223,466,745
Electricity units sold by the Municipality		
Domestic (units)	38,087,920	38,876,000
Commercial (units)	11,838,320	12,509,000
Bulk (units)	152,584,110	150,625,561
Departmental (units)	2,675,418	2,622,000
	205,185,768	204,632,561

Electricity losses for the financial year is 7,3% (2009: 8,43%) These losses are attributable to electricity line losses within the electricity network infrastructure.

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Detailed Income statement

	Note(s)	2010 R	2009 Restated R
Revenue			
Rendering of services		944,519	3,388,540
Property rates	18	29,163,986	26,232,141
Service charges	19	101,723,939	76,621,639
Property rates - penalties imposed and collection charges		5,007,707	5,182,690
Rental of facilities and equipment		748,325	749,027
Interest received (trading)		333,148	2,591,467
Fines		345,986	199,256
Licences and permits		4,010,167	4,554,279
Government grants & subsidies	20	43,949,092	37,222,717
Administration and management fees received		2,590	-
Fees earned		37,192	-
Discount received		2	4,103
Other income		1,386,213	854,322
Total Revenue		187,652,866	157,600,181
Expenditure			
Employee related costs	23	(47,351,115)	(37,012,446)
Remuneration of councillors		(3,843,142)	(3,620,879)
Depreciation and amortisation	25	(18,575,759)	(17,574,832)
Finance costs	26	(917,286)	(1,087,103)
Debt impairment	24	(10,488,873)	(8,341,555)
Repairs and maintenance		(7,220,926)	(5,923,096)
Bulk purchases	29	(74,022,509)	(55,370,513)
General Expenses	22	(22,850,299)	(29,673,655)
Total Expenditure		(185,269,909)	(158,604,079)
Loss in investments		-	(1,943,063)
Loss & scraping of assets		(133,685)	-
Revenue		187,652,866	157,600,181
Expenditure		(185,269,909)	(158,604,079)
Other		(133,685)	(1,943,063)
Surplus (deficit) for the year		2,249,272	(2,946,961)

uMtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2010

UMTSHEZI MUNICIPALITY - KZN234
APPENDIX A: Statement of comparative and actual information

Description	2009/2010								
	1	2	3	4	5	6	7	8	9
R thousand or R	Original Budget	Budget Adjustments (I.L.o. s28 and s31 of MFMA)	Virement (I.L.o.Council approved by-law)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Financial Performance									
Property rates	29,010,395.00	29,010,395.00		29,010,395.00	29,163,985.56		153,590.56	100.53	100.53
Service charges	99,882,141.00	103,282,586.00		103,282,586.00	101,723,938.66		-1,558,647.34	98.49	101.84
Investment revenue	27,026,000.00	28,155,000.00		28,155,000.00	20,893,689.32		-7,261,330.68	74.21	77.31
Transfers recognised - Operational	11,273,375.00	11,482,455.00		11,482,455.00	12,815,850.00		1,333,395.00	111.61	113.68
Other own revenue									
Total Revenue (excluding capital transfers and contributions)	167,191,911.00	171,930,436.00		171,930,436.00	164,597,443.54		-7,332,992.46	95.73	98.45
Employee cost	43,292,398.00	43,292,037.00		43,292,037.00	47,351,115.63		4,059,078.63	109.38	109.38
Remuneration of Councillors	3,670,286.00	3,670,286.00		3,670,286.00	3,843,141.64		172,855.64	104.71	104.71
Debt impairment	4,000,000.00	4,000,000.00		4,000,000.00	10,488,873.00		6,488,873.00	262.22	262.22
Depreciation & asset impairment	9,000,000.00	18,000,000.00		18,000,000.00	18,575,759.00		575,759.00	103.20	206.40
Finance charges	764,901.00	342,500.00		342,500.00	917,286.00		574,786.00	267.82	119.92
Materials and bulk purchases	74,215,767.00	74,607,767.00		74,607,767.00	74,022,508.85		-585,258.15	99.22	99.74
Transfers and grants									
Other Expenditure	31,636,904.00	27,735,542.00		27,735,542.00	30,204,910.00		2,469,368.00	108.90	95.47
Total Expenditure	166,580,286.00	171,648,132.00		171,648,132.00	185,403,594.12		13,755,462.12	108.01	111.30
Surplus/(Deficit)	611,655.00	282,304.00		282,304.00	-20,806,150.58		-21,088,454.58	-7,370.12	-3,401.62
Transfers recognised - Capital	10,518,000.00	19,900,000.00		19,900,000.00	23,055,422.58		3,155,422.58	115.86	219.20
Contribution recognised - capital & contributed Assets									
Surplus/(Deficit) after capital transfers & contributions	11,129,655.00	20,182,304.00		20,182,304.00	2,249,272.00		-17,933,032.00	11.14	20.21
Share of surplus / (Deficit) of associate	11,129,655.00	20,182,304.00		20,182,304.00	2,249,272.00		-17,933,032.00	11.14	20.21
Surplus/ (Deficit) for year	11,129,655.00	20,182,304.00		20,182,304.00	2,249,272.00		-17,933,032.00	11.14	20.21
Capital expenditure & funds sources									
Capital expenditure									
Transfers recognised - capital	10,518,000.00	9,592,000.00	12,405,875.57	21,997,875.57	21,997,875.57		0.00	100.00	209.15
Public contributions and Donations									
Borrowing	8,500,000.00				882,952.00		882,952.00		
Internally generated funds	6,802,500.00	3,637,500.00		3,637,500.00	2,193,744.43		-1,443,755.57	60.31	32.25
Total sources of capital funds	25,820,500.00	13,229,500.00	12,405,875.57	25,635,375.57	25,074,572.00		-560,803.57	97.81	97.11
Cash flows									
Net cash from (used) operating	24,510,000.00	35,473,000.00		35,473,000.00	16,543,708.00		-18,929,292.00	46.64	67.50
Net cash from (used) investing	-28,769,000.00	-16,678,000.00		-16,678,000.00	-25,238,647.00		-8,560,647.00	151.33	87.73
Net cash from (used) Financing	8,365,000.00	-135,000.00		-135,000.00	401,638.00		536,638.00	-297.51	4.80
Cash / cash equivalents at the year end	655,000.00	21,808,000.00		21,808,000.00	-5,145,574.00		-26,953,574.00	-23.59	-785.58

Column 1: First budget for the year

Column 3: May only be populated if the municipality has a virement policy approved by the council. Virements must offset each other so that virements in Total Expenditure equals zero

Column 4: = 1 + (2 - 1) + 3

Column 6: Does not necessary equal the difference between column 5 and 4 because overspending is not the only reason for unauthorised expenditure

Column 7: = 5 - 4

Column 8: = (5 / 4) * 100

A municipality may include narrative reason for variances as part of the notes to this statement. The municipality may also refer the user to the other public documentation containing such explanations

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
 30-Jun-10

	Cost / Revaluation				Accumulated Depreciation						Other movements	Carrying Value		
	Opening Balance	Prior Years Adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Prior Years Adjustment	Depreciation	Disposals			Impairment loss/Reversal of impairment loss	Closing Balance
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
Property and Permanent Works														
Electrical Infrastructure	45,168,815.50	-	1,516,817.71	0.00	-	46,685,633.21	17,443,316.58	4,951.61	2,435,428.03	-	-	19,883,696.22	-	26,801,936.99
Fittings	791,931.20	-	0.00	0.00	-	791,931.20	639,637.81	131.49	35,954.72	-	-	675,724.02	-	116,207.18
Grounds & Fences	4,412,020.47	-	0.00	0.00	-	4,412,020.47	2,455,615.71	5,909.07	159,240.90	-	-	2,620,765.68	-	1,791,254.79
Land & Buildings	16,086,746.09	-	0.00	0.00	-	16,086,746.09	9,648,521.37	150,315.62	520,666.69	-	-	10,319,523.68	-	5,777,222.41
Land	551,300,601.92	-	0.00	0.00	-	551,300,601.92	8,936,432.60	-7,549.82	10,218,814.00	-	-	19,147,696.78	-	532,152,905.14
Roads	43,705,581.59	-	7,869,134.30	0.00	-	51,574,715.89	28,560,791.41	4,227.20	1,830,686.87	-	-	30,396,655.47	-	21,179,060.42
Survey	1,286,583.67	-	0.00	0.00	-	1,286,583.67	1,259,791.04	113.97	15,302.07	-	-	1,275,207.06	-	13,386.59
Water Infrastructure	983,760.44	-	0.00	0.00	-	983,760.44	983,760.44	-	129,369	-	-	129,369.00	-	517,477.00
Landfill site	246,846.00	-	0.00	0.00	-	246,846.00	646,846.00	-	646,846.00	-	-	129,369.00	-	588,349,450.51
Other Assets														
Furn & Office Equipment	4,676,691.22	1,286,235.00	1,366,533.00	-565,643.00	-	6,763,816.22	2,059,309.95	-155,660.89	463,803.86	-515,675.28	-	1,851,777.64	-	4,912,038.58
IT Equipment	4,986,607.78	-	466,329.00	-141,933.28	-	5,321,003.50	4,446,765.05	-278,496.09	363,418.29	-136,145.26	-	4,395,541.99	-	925,461.51
Plant & Equipment	6,317,131.00	-	741,596.29	-535,024.61	-	6,523,702.68	4,263,838.00	-429,841.53	271,816.91	-464,075.73	-	3,641,737.65	-	2,881,965.03
Leased Assets														
Vehicles and equipment	15,980,430.00	1,286,235.00	2,574,458.29	-1,242,600.89	0.00	18,608,522.40	10,769,913.00	-863,988.50	1,089,039.06	-1,115,896.28	0.00	9,889,057.28	0.00	8,719,465.12
	5,594,142.00	-	882,952.00	0.00	-	6,477,094.00	1,402,859.00	-9,728.21	1,740,990.00	-	-	3,134,120.79	-	3,342,973.21
	5,594,142.00	0.00	882,952.00	0.00	0.00	6,477,094.00	1,402,859.00	-9,728.21	1,740,990.00	0.00	0.00	3,134,120.79	0.00	3,342,973.21
Total carried forward	685,579,468.88	1,886,235.00	12,843,382.30	-1,242,600.89	0.00	698,866,465.29	82,100,638.96	-715,627.57	18,185,461.33	-1,115,896.28	0.00	98,454,576.45	0.00	600,411,888.84

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-10

	Cost / Revaluation				Accumulated Depreciation							Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Prior Years Adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			Transfers
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
Total brought forward	685,579,468.88	1,686,235.00	12,843,362.30	0.00	698,866,465.29	82,100,638.96	-715,627.57	18,185,461.33	-1,115,896.28	0.00	98,454,576.45	0.00	0.00	600,411,888.84
Motor Vehicles	3,603,892.00	3,058,453.00	-662,248.03	0.00	6,000,096.97	5,309,341.61	-796,520.66	302,164.14	-655,269.60	0.00	4,159,715.49	-	-	1,840,381.48
	3,603,892.00	3,058,453.00	-662,248.03	0.00	6,000,096.97	5,309,341.61	-796,520.66	302,164.14	-655,269.60	0.00	4,159,715.49	0.00	0.00	1,840,381.48
Work In Progress														
Land & Buildings	13,946,853.52	-	10,649,736.21	-	24,596,589.73	-	-	-	-	-	0.00	-	-	24,596,589.73
Roads	4,029,800.60	-	1,410,929.48	-	5,440,730.08	-	-	-	-	-	0.00	-	-	5,440,730.08
	17,976,654.12	0.00	12,060,665.69	0.00	30,037,319.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,037,319.81
Total	707,160,015.00	4,744,688.00	24,904,027.99	0.00	734,903,882.07	87,409,980.57	-1,512,148.23	18,487,625.47	-1,771,165.87	0.00	102,614,291.94	0.00	0.00	632,289,590.13

uMkshazi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-09

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R'	
	Opening Balance R'	Additions R'	Disposals R'	Under Construction R'	Closing Balance R'	Opening Balance R'	Depreciation R'	Disposals R'	Impairment loss/Reversal of impairment loss R'	Closing Balance R'		Transfers R'
Property and Permanent Works												
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)	(164,531)	(7,621,000)
Electrical Infrastructure	44,828,563	1,825,723	-	-	46,654,286	(15,014,938)	(2,417,435)	-		(17,432,374)	-	-
Grounds & Fences	4,309,728	49,261	-	-	4,359,989	(2,298,380)	(151,366)	-		(2,449,746)	-	-
Roads	43,705,582	108,528	-	-	43,814,110	(26,831,684)	(1,731,633)	-		(28,563,317)	-	-
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)	-	-
	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)	(164,531)	(7,621,000)
Plant and Equipment												
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
Office Equipment and Furniture												
	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-		(6,940,424)	-	-
	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-	-	(6,940,424)	-	-
Total carried forward	687,538,718	2,474,488	(1,808,000)	17,976,654	706,181,861	(66,365,540)	(16,736,239)	85,250	-	(83,076,531)	(164,531)	(7,621,000)
												615,379,799

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

	Cost / Revaluation					Accumulated Depreciation					Carrying Value R'		
	Opening Balance R'	Additions R'	Disposals R'	Under Construction R'	Closing Balance R'	Opening Balance R'	Depreciation R'	Disposals R'	Impairment loss/Reversal of impairment loss R'	Closing Balance R'		Transfers R'	Other movements R'
Total brought forward	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)	(164,531)	(7,621,000)	615,379,799
Motor Vehicles	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
Finance Lease Assets	3,024,433	821,267	-	-	3,845,700	(407,525)	(786,967)	-	-	(1,194,492)	-	1,540,073	4,191,281
Motor Vehicles	3,024,433	821,267	-	-	3,845,700	(407,525)	(786,967)	-	-	(1,194,492)	-	1,540,073	4,191,281
Total	694,167,043	3,295,755	(1,808,000)	17,976,654	713,631,453	(70,146,378)	(17,574,830)	85,250	-	(87,635,960)	(164,531)	(6,080,927)	619,750,035