

UMTSHEZI MUNICIPALITY



ANNUAL REPORT
2010 / 2011

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MAYOR'S FOREWORD

Section 127(2) of the Municipality Finance Management Act (MFMA) states that the Mayor of a municipality must, within seven months after the end of the financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

It therefore gives me great pleasure to present the Annual Report of Umtshezi Municipality for the period of 2010/2011 to all the relevant stakeholders.

We derive our mandate as a local authority from The Constitution of the Republic of South Africa, which clearly spells out the objectives and the mandate of municipalities. Like in any democracy the cornerstone for success is public participation and consultation.

The integrated development plan of our municipality is a product of intensive consultation with our local community and other stakeholders. It is for this reason that we are confident that all the programs, projects and activities in Umtshezi Municipality were based on the needs and the expectations of our community. Chapter 2 of the annual report highlights the actual performance achieved in terms of the IDP, scorecard and performance agreements of the S57 managers. Most of the targets and objectives have been achieved which indicates that there is a good path and upward trend in service delivery that has occurred and will occur in the next few years.

With the formation of the new municipal council which was elected in May 2011, we are confident that with the assistance and co-operation of all municipal staff and the valued community members that we serve, that the municipality will grow and exceed the reported the results in this annual report.

HIS WORSHIP THE MAYOR

COUNCILLOR B.D. DLAMINI

OVERVIEW OF THE MUNICIPALITY

During the 2010/2012 financial year municipal elections were held and the composition of the Council had changed. The newly elected Mayor, Deputy Mayor and Speaker are:



His Worship, the Mayor
Councillor D.B Dlamini



The Honourable Deputy Mayor,
Cllr B A Dlamini



The Honourable Speaker
Cllr, CJS Nunes

MEMBERS OF THE EXECUTIVE COUNCIL AND COUNCIL

BA Dlamini
RP Gericke
E Lite
EM Majola
SC Cele
CJS Nunes
DM Vahed
NF Zuma

DB Dlamini
JJ Lembethe
SD Magubane
MN Masoka
BH Ndawonde
B Suliman
KA Vilakazi

HUMAN RESOURCES AND TRANSFORMATION COMMITTEE

SD Magubane Chairman

EM Majola

BH Ndawonde

MN Masoka

BA Dlamini

SAFETY / SECURITY COMMITTEE

BH Ndawonde Chairman

KA Vilakazi

CJS Nunes

MZ Mdakane

E Lite

RULES COMMITTEE

CJS Nunes Chairman

DB Dlamini

LOCAL LABOUR FORUM

BA Dlamini

JJ Lembethe

EM Majola

EXECUTIVE SUMMARY

UMTSHEZI VISION

*“BY 2016
UMTSHEZI MUNICIPALITY
WILL BE THE CHAMPION OF A SUSTAINABLE GROWTH WITH AN AIM OF
BUILDING BETTER
COMMUNITIES.”*

MISSION STATEMENT

*We as Umtshezi Municipality in partnership with other
stakeholders are committed to:*

- 1. Provide an enabling economic and social development environment.*
- 2. Provide a robust plan for the vulnerable, including youth, physically challenged, gender and aged persons.*
- 3. Work co-operatively to unlock resources from other spheres of Government and the Private Sector.*
- 4. Continuously provide services in an equitable manner taking Batho Pele Principles into cognisance.*
- 5. Establish and maintain community networks that promote healthy engagements between the Municipality and out stakeholders.*
- 6. Strive to facilitate the provision of basic services.*
- 7. Develop Umtshezi in a sustainable manner that does not compromise current and future generations.*

UMTSHEZI MUNICIPALITIES CORE VALUES

The Umtshezi Municipality will subscribe to the following Core Values, to achieve its

Vision and Mission

Accountability

Transparency

Integrity

Excellence

Team Work

Community

CHAPTER 2: PERFORMANCE HIGHLIGHTS

ANNUAL PERFORMANCE ASSESSMENT REPORT- ORGANIZATIONAL

ANNUAL PERFORMANCE ASSESSMENT REPORT- ORGANIZATIONAL

1. INTRODUCTION AND OVERVIEW

In terms of the Municipal Systems Act (as amended), municipalities are required to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act. In order to maintain, sustain and continuously improve on service delivery, performance should be monitored to ensure that the implementation is done according to what is planned. The Performance Management System was therefore developed and managed in-house by the Senior Manager: IDP/LED

Umtshezi Municipality complied, to the best of our knowledge with the Legislative Framework in the finalisation of our Performance Management System.

Attached herewith is the detailed Annual Performance Assessment for the organization.

2. PURPOSE OF A PERFORMANCE MANAGEMENT SYSTEM

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

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

A PMS should fulfil the following objectives:

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

3. BACKGROUND TO PERFORMANCE MANAGEMENT IN UMTSHEZI

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

The MSA requires that all Municipalities:

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

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

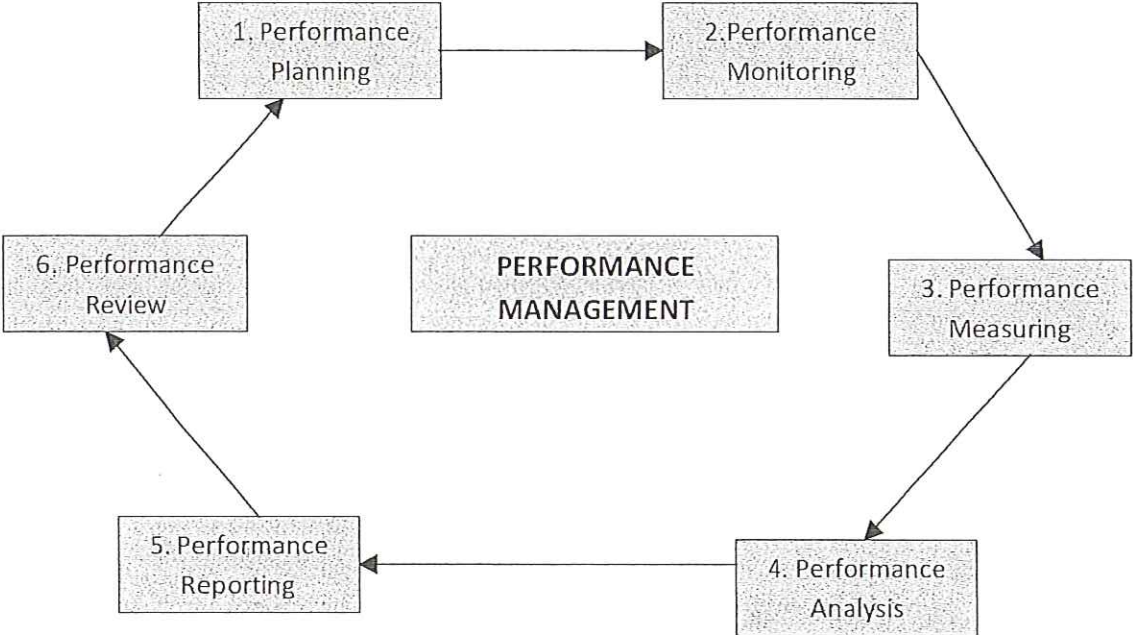
4. LEGISLATIVE REQUIREMENTS AND COMPLIANCE BY UMTSHEZI MUNICIPALITY DURING 20010/11

4.1 DEVELOPMENT OF A PEFORMANCE 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 July 2010. 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:



4.2 IDP, PMS INTEGRATION THROUGH SDBIPs

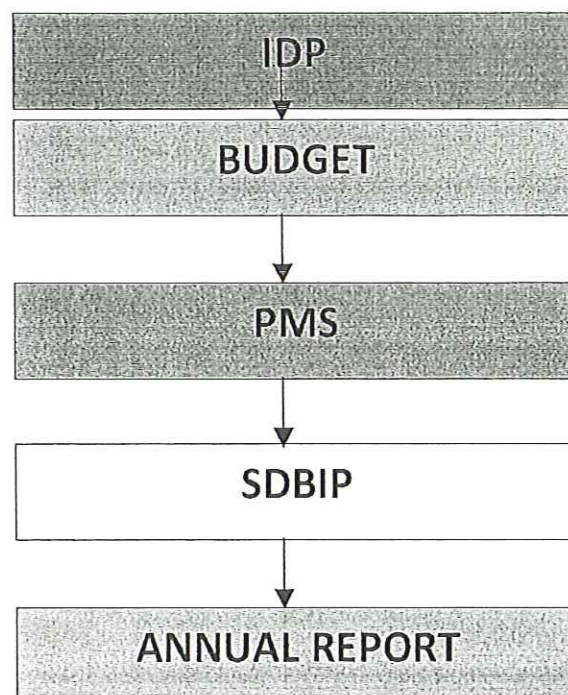
During the 2010/2011 IDP Review and Budget process an attempt was made to align the IDP with the budget to comply with the both MFMA and MSA.

At 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, were 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 2010/2011 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



4.3 MONITORING AND EVALUTION AND REVIEW

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

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

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

5. CONCLUSION

In the absence of Performance Management Personnel the IDP/LED Senior Manager assisted the municipal Manger to comply with the Legislative Framework. This has been a learning experience for the Umtshezi Municipality.

The Municipality intends building on lessons learnt from this experience and exercises. Additional financial and human resources need to be allocated for the successful implementation and monitoring of the PMS 2011/2012.

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/001	Municipal Transformation and Institutional Development	To provide efficient and effective Human Resource Services	Approved organogram	Date approved	n/a	28/05/2010	n/a	30/04/2011	29/06/11	Corporate services	Oganogram adopted accordingly but needs to be updated to be in line with the new wage curves
IDP 2011/002			Employment of staff in terms of Umtshezi Municipality's Equity Plan	Number of staff employed in terms of the Plan	425	347	78	20	Not Achieved	Corporate services	Not filled due to moratorium by COGTA
IDP 2011/003			Number of black staff to be employed in management	Number of staff	4	3	1	1	Not Achieved	Corporate services	Not filled due to moratorium by COGTA
IDP 2011/004			Women employed by the municipality	Number of women employed	100	95	5	5	Not Achieved	Corporate services	Not filled due to moratorium by COGTA
IDP 2011/005			Youth employed by the municipality	Number of youth employed	70	65	5	5	Not Achieved	Corporate services	Not filled due to moratorium by COGTA
IDP 2011/006			Disabled staff employed by the municipality	Number of staff	2	1	1	1	Not Achieved	Corporate services	Not filled due to moratorium by COGTA

IDP Indicator No.	National KPA objective	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Reason for non performance/Corrective measures
								Annual	Actual	
IDP 2011/007			Approved Workplace Skills Plan	Yes/No	n/a	Y	n/a	Y	Achieved Submitted 28/6/11	Lack of capacity and financial constraints
IDP 2011/008			Budget spent on Workplace Skills Plan	Percentage spent	n/a	R384,808,00 0,8%	n/a	1%	0%	Lack of capacity, WSP approved end of 4 th Q. HR manager to be appointed in the new financial year
IDP 2011/009		To conform to the Principles of Batho Pele	Customer satisfaction survey to be conducted	Number of surveys	n/a	0	n/a	1	Research has been conducted	Budget to be allocated in the 2011/12 financial year
IDP 2011/010			Displaying of required legislation (Batho Pele, BCEA, OHS Act, EE)	Number of Acts displayed	n/a	3	n/a	4	4	N/A
IDP 2011/011		To develop a credible IDP	Adopted IDP	Date adopted	n/a	28/05/2010	n/a	30/06/2011	28/06/10	The IDP is adopted in terms of the 2010/11 Process Plan
IDP 2011/012			Spatial development framework	Y/N	n/a	Y	n/a	Y	YES	Adopted by council on 27 Jan 2010

IDP Indicator No.	National KPA objective	Strategic objective	Measurable Objective/Output	Performance Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/013			Disaster Management Framework adopted	Date	n/a	N	n/a	30/09/2010	DMF adopted by council – 27/01/10	PECS	
IDP 2011/014			Approved Mid Term Expenditure Framework	Date approved	n/a	N	n/a	28/02/2011	31/3/11	Finance	
IDP 2011/015			Environmental Management Plan	Y/N	n/a	Y (part of SDF)	n/a	Y	YES	PECS	Adopted with SDF on 27 Jan 2010
IDP 2011/016			Land use management system	Y/N	n/a	Y	n/a	Y	YES	PECS	Adopted by Council on the 27 Jan 2010, forwarded to COGTA for assessment
IDP 2011/017			Functioning shared service for Development Planning	Chief planners reports	n/a	n/a	n/a	4	4	PECS	
IDP 2011/018	To implement an effective Performance Management System		OPMS system in place	Y/N	n/a	Y	n/a	Y	YES, Adopted 29/07/10	Office of the MM	OPMS is a working document and is fully functional
IDP 2011/019			S57 Performance agreements signed (2010/11)	Number of agreements	n/a	3	n/a	n/a	4	3	Office of the MM / Mayor

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/020			Quarterly performance reports to be finalised within 30 days of the end of the quarter	Date	n/a	0	n/a	30 days after end of quarter	Achieved within 30 days and submitted to Internal Auditors	Office of the MM	Quarterly reports were finalised on the 31/10/2010
IDP 2011/021			Draft Annual performance report 2009/10 submitted to the AG	Date submitted	n/a	Y	n/a	31/08/2010	31/08/2010	Office of the MM	
IDP 2011/022			Adopted Annual report 2009/10	Date adopted	n/a	31/01/2010	n/a	31/01/2011	31/01/11	Office of the MM / Corporate Services	
IDP 2011/023			Adopted Oversight report 2009/10	Date	n/a	Not achieved	n/a	31/03/2011	Adopted by Council. 13/03/11	Office of the MM	
IDP 2011/024	To ensure effective telecommunications		Communication strategy	Date reviewed	n/a	Y	n/a	30/04/2011	YES	Corporate services	
IDP 2011/025	To ensure an effective IT service		IT Strategy	Date reviewed	n/a	Y	n/a	31/07/2010	YES	Corporate services	

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/026		To develop and implement the Municipal Turnaround strategy	Implementation of the National Municipal Turnaround Strategy	Date adopted	n/a	28/05/2010	n/a	01/07/2010	Adopted, 28 May 2010	Office of the MM	
IDP 2011/027				Date achieved	n/a	n/a	n/a	31/12/2010	31/12/2010	Office of the MM	
IDP 2011/028		To ensure an effective administration service	Adoption of an approved file plan (registry)	Date adopted	n/a	n/a	n/a	30/04/2011	January 11	Corporate services	Plan is currently being developed and awaiting receipt of material. Lack of capacity.
IDP 20IDP11/029		To provide access to roads	Kilometres of tarred roads established	Kilometres	211.42	107.88	103.54	N/a	N/a	Technical services	N/A
IDP 2011/030			Kilometres of gravel roads established	Kilometres	103.54	27.50	37	37	19,628	Technical services	Breakdown of machinery. Increase budget for maintenance and repairs
IDP 2011/031			Kilometres of roads maintained	Kilometres (tarred)	107.88	21	86,88	30	28	Technical services	Breakdown of machinery and delay in procurement processes. Increase budget for maintenance and repairs
IDP 2011/032				Kilometres (gravel)	103.54	35	68,54	21	12	Technical services	Breakdown of machinery and delay in procurement processes

Infrastructure Development

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/033		To provide access to community and public facilities	New facilities provided	No of crèches	11	2	9	2	0	Technical services	MIG funding exhausted
IDP 2011/034				No of community halls	11	7	4	1	0	Technical services	MIG funding exhausted
IDP 2011/035				No of parks / play areas / recreational areas	27	11	16	2	2	PECS	
IDP 2011/036		To provide access to electricity	Households with access to electricity	Number of households	Dependin g on housing	4660	Dependin g on housing	0	12544 Inclusive of prepaid meters	Technical services	Connections are done as and when required
IDP 2011/037			New connections	Number of new connections (ESKOM)	ongoing	0	6000 (estimate)	ongoing	No reports from eskom	Technical services	ESKOM sends the municipality a report on projects in the Umtshezi area
IDP 2011/038				Number of new connections (Municipality)	Dependin g on housing	61	6000	0	65	Technical services	Connections are done as and when required

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/039		To provide access to solid waste disposal services	Households with access to solid waste disposal services	Number of households	12000	7343	5000	8000	7746	PECS	Housing development did not happen. Liaison with HS to speed up the process
IDP 2011/040			New households with access to weekly waste disposal	Number of new households	Depending on Housing developments	Depending on Housing developments	Depending on Housing developments	1243	65	PECS	Housing development did not happen. Liaison with HS to speed up the process
IDP 2011/041			Total volume of general waste collected	Tonnes of waste collected	n/a	8,000	n/a	10,000	9200	PECS	Figures are applicable to waste collected by municipality and not waste collected by public
IDP 2011/042		To facilitate access to water	Households with access to water	Number of households	15,232	12,238	2,994	N/a	N/a	Uthukela DM / Technical services	District function. Municipality to improve communication for monitoring purposes.
IDP 2011/043	Infrastructure		New households with access to water	Number of new households	N/a	N/a	N/a	N/a	N/a	Uthukela DM / Technical services	District function. Municipality to improve communication for monitoring purposes

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/044		To facilitate access to sanitation	Households with access to sanitation	Number of households	N/a	N/a	N/a	N/a	N/a	Uthukela DM / Technical services	District function. Municipality to improve communication for monitoring purposes
IDP 2011/045			New households with access to sanitation	Number of new households	N/a	N/a	N/a	N/a	N/a	Uthukela DM / Technical services	District function. Municipality to improve communication for monitoring purposes
IDP 2011/046		To provide access to free basic services	Households with access to free basic electricity	Number of households	y	3103	5000	5000	2745	Finance	Application forms distributed but targeted households did not respond. Field workers to be appointed in the new financial year
IDP 2011/047			Households with access to free basic water	Number of households	N/a	N/a	N/a	N/a	N/a	DC23	District function. Municipality to improve communication for monitoring purposes
IDP 2011/048			Households with access to free basic sanitation services	Number of households	N/a	N/a	N/a	N/a	N/a	DC23	District function. Municipality to improve communication for monitoring purposes

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
							Backlog	Annual		
IDP 2011/049			Households with access to free basic waste disposal	Number of households	0	3103	5000	2745	Finance	Application forms distributed but targeted households did not respond, field worker to be appointed.
IDP 2011/050		To provide access to housing	New houses constructed	Number of units	13,961	7089 (Per human settlement plan)	-	0	Department of Human Settlements / PECS	Awaiting approval of the 2000 subsidies application submitted to KZN Human Settlements for approval
IDP 2011/051			Application to DoHS for approval of subsidy allocation	Number of subsidies approved	8,450	0	2,000	2,000	Department of Human Settlements / PECS	N/A
IDP 2011/052			Turnaround time for approval of building plans	Number of days taken to approve building plan	n/a	28 days	28 days	Achieved	PECS	
IDP 2011/053		To manage health facilities	Primary healthcare	Number of patients treated/consulted	n/a	29,187	31,000	53 775	PECS	

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Reason for non performance/Corrective measures
								Annual	Actual	
IDP 2011/054			HIV strategy	Date of review	n/a	Y	n/a	30/04/2011	Reviewed but not adopted due to Election interruptions	PECS Although There was no target for HIV/AIDS patients, there were 296 patients attended to
IDP 2011/055		To provide a safe and secure environment	Community policing forums	Number of meetings held	n/a	3	n/a	4	Not Achieved	Corporate services Meetings were not constituted. Municipality to improve communication with forum.
IDP 2011/056			Law enforcement	No of fines issued	n/a	3341	n/a	13,000	4246	Corporate services corrective measures are in place for traffic officers to enforce accordingly. Additional traffic officer to be appointed in new financial year
IDP 2011/057	Local Economic Development	To stimulate economic growth	Promotion of new investment and expansion through the municipality's incentive policy	Number of new investments in the municipality	n/a	0	n/a	2	3	PECS Concept plans for the private hospital, wembezi, Estcourt Mall, were received from developers for consideration and approval of municipality
IDP 2011/058				Number of new expansions in the municipality	n/a	3	n/a	1	1	PECS

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/059		To alleviate poverty	Programmes undertaken	Number of projects	n/a	2	n/a	2	2	PECS	
IDP 2011/060		To promote tourism development	Tourism strategy	Date approved	n/a	N	n/a	30/06/2011	Not Achieved due to financial constraints	PECS	Terms of reference for Tourism Strategy have been finalised, financial constraints and budget to be allocated in the new financial year.
IDP 2011/061		To promote the development of prioritised groups	Capacity building initiatives undertaken	Number of trained SMMIEs	n/a	17	n/a	8	8	PECS	
IDP 2011/062				Number of trained Co-ops	n/a	20	n/a	8	No applications received	PECS	Municipality did not receive applications for training, is currently exploring the possibility of a recruitment campaign
IDP 2011/063		To promote the local economy	Jobs created through the municipalities LED initiatives	Number of jobs created	n/a	47	n/a	120	163	PECS	
IDP 2011/064			Jobs created through the municipalities capital projects	Number of jobs created	n/a	72	n/a	200	117	PECS	Target not fully achieved since jobs created from other projects was not recorded but will be corrected in future

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/065		To ensure an effective internal audit function	Financial and Performance audit committee	Y/N	n/a	Y	n/a	Y	Yes – fully functional	Office of the MM	
IDP 2011/066			Audit committee meetings	Number of meetings held	n/a	4	n/a	4	4 25/8/10 3/2/11 31/5/11 20/6/11	Office of the MM	
IDP 2011/067			Internal audit activity	% Achievement of the internal audit plan	n/a	80%	n/a	90%	94% - areas completed	Office of the MM	
IDP 2011/068			Risk assessment	Approved risk profile	n/a	Y	n/a	30/06/2011	Yes- Reviewed with assistance from treasury	Office of the MM	
IDP 2011/069			Risk management strategy	Quarterly reports	n/a	Y	n/a	3	3	Office of the MM	
IDP 2011/070		To actively involve the community and stakeholders	Awareness campaigns	Number of campaigns	n/a	2	n/a	2	2	Office of the MM	

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Reason for non performance/Corrective measures
								Annual	Actual	
IDP 2011/071		stakeholders	Mayoral imbizo's	Number of Imbizo's	n/a	3	n/a	3	3	Office of the MM
IDP 2011/072			Budget and IDP roadshows	Number of roadshows	n/a	5	n/a	4	4	Office of the MM
IDP 2011/073			IDP representative forums	Number of meetings held	n/a	1	n/a	2	2	PECS
IDP 2011/074			Sector department meetings	Number of meetings held	n/a	1	n/a	1	2	PECS
IDP 2011/075			Ward Committees to be re-established	Number of Ward Committees	n/a	6	n/a	9	0	Corporate services
IDP 2011/076			Ward Committee meetings	Number of meetings held	n/a	0	n/a	9	0	Corporate services
IDP 2011/077			Business Forum / Chamber of Commerce meetings	Number of meetings held	n/a	4	n/a	4	1	PECS

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
							Annual	Actual		
IDP 2011/078			Adverts in local media	Number of adverts placed	n/a	10	10	10	All	N/A
IDP 2011/079		To actively participate in IGR structures	Mayoral Forum	Number of meetings held	n/a	0	4	0	Office of the MM	Meetings were not constituted. Improve communication
IDP 2011/080			Municipal managers' Forum	Number of meetings held	n/a	0	4	0	Office of the MM	Meetings were not constituted. Improve communication
IDP 2011/081			IDP managers Forum	Number of meetings held	n/a	2	4	4	PECS	
IDP 2011/082			CFO Forum	Number of meetings held	n/a	1	4	1	Finance	District only scheduled one meeting for the year. Improve communication

IDP Indicator No.	National KPA objective	Measurable Objective/Output	Performance Measure/Indicator (Unit Of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
							Annual	Actual		
IDP 2011/083	To develop, review and implement policies, by-laws and sector plans	Develop new policies, procedures, by-laws and sector plans where necessary	% Compliance	n/a	Refer to Appendix A of 2010/11 IDP	n/a	100%	100%	All	
							100%	100%		
IDP 2011/084		Review existing policies, procedures, by-laws and sector plans where necessary	% Compliance	n/a	Refer to Appendix A of 2010/11 IDP	n/a	100%	100%	All	
							100%	100%		
IDP 2011/085		Effectively implement policies, procedures, by-laws and sector plans	% Compliance	n/a	Refer to Appendix A of 2010/11 IDP	n/a	100%	100%	All	N/A
							100%	100%		
IDP 2011/086	To implement an anti-corruption strategy	Anti-corruption Strategy/Fraud Prevention Plan	Y/N	n/a	Y	n/a	Y	Y	Office of the MM	Fraud prevention policy
							Y	Y		

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/087	Financial Viability and Financial Management	To maximise the revenue collections of the municipality	Cash collected from customers	R value of revenue collected	n/a	111,717,000	n/a	150,000,000	178243388.10	Finance	
IDP 2011/088			Amounts invoiced/billed to customers	R value invoiced/billed	n/a	164,248,000	n/a	169,000,000	162786413.42	Finance	
IDP 2011/089			Maintenance of the valuation roll	Number of supplementary rolls	n/a	2	n/a	2	1	Finance	Only done once a year
IDP 2011/090			Review of tariffs 2011/12	Date	n/a	28/05/2010	n/a	30/06/2011	14/06/2011	Finance	
IDP 2011/091	Financial Viability and Financial Management	To ensure compliance with all financial management requirements	Review of Rates Policy for 2011/12	Date	n/a	28/05/2010	n/a	30/06/2011	14/06/2011	Finance	
IDP 2011/092			Review of Credit Control Policy 2011/12	Date	n/a	28/05/2010	n/a	30/06/2011	14/06/2011	Finance	
IDP 2011/093	Financial Viability and Financial Management	To ensure compliance with all financial management requirements	Debt service payments	R value paid	n/a	141,905	n/a	141,905	148 837	Finance	Increase in Interest Rate
IDP 2011/094			Loan repayments	% Compliance to terms of loan	n/a	100%	n/a	100%	100%	Finance	

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/095			Total revenue received from grants and subsidies	R Value	n/a	41,369,000	n/a	64,834,000	45049514.26	Finance	Grants budget was adjusted to 47 246 000 during the year
IDP 2011/096			Total grants and subsidies spent	% spent	n/a	100%	n/a	100%	100%	Finance	
IDP 2011/097			Audit opinion 2009/10	Unqualified	n/a	Unqualified, with other matters	n/a	Unqualified with other matters	Unqualified	Finance	
IDP 2011/098		To ensure realistic budgeting and timeous reporting	Total operating budget	R Value	n/a	191,780,000	n/a	240,578,000	216265411.29	Finance	Under recovery from electricity income. Annual targets changed during the adjustment Budget
IDP 2011/099			Total salaries and wages budget (including benefits)	R Value	n/a	43,292,000	n/a	46,756,000	53116306.53	Finance	Budgeted figure was adjusted during the adjustment budget stage to 56902779
IDP 2011/100			Adopt 2011/12 municipal budget	Date	n/a	28/05/2010	n/a	31/05/2011	14/06/2011	Finance	

IDP Indicator No.	National KPA objective	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/101			SDBIP for 2011/12 approved by Mayor 28 days after approval of Budget	Date	n/a	28 days	n/a	28 days	29/06/2011	Finance	
IDP 2011/102			Table mid-year budget and performance report	Date	n/a	24/02/2010	n/a	25/01/2011	25/01/2011	Finance	
IDP 2011/103			Table 2010/11 adjustment budget	Date	n/a	24/02/2010	n/a	28/02/2011	31/03/2011	Finance	
IDP 2011/104			Budget process plan 2011/12	Date	n/a	29/09/09	n/a	31/08/2010	26/08/2010	Finance	
IDP 2011/105			Monthly report submitted to mayor within 10 working days after month end	Date	n/a	10 days	n/a	10 days	Achieved, Report also submitted to Council	Finance	
IDP 2011/106			Quarterly reports to Mayor within 30 days of the quarter end.	Date	n/a	n/a	n/a	30 days	Achieved, Report also submitted to Council	Finance	

IDP Indicator No.	National KPA objective	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/107			Monthly report submitted to Provincial Treasury	Number of reports submitted	n/a	12	n/a	12	12	Finance	
IDP 2011/108			Compile and submit Annual Financial Statements to the Auditor General	Date	n/a	31/08/2009	n/a	31/08/2010	26/08/2010	Finance	
IDP 2011/109			Compliance with MFMA requirements	% compliance	n/a	100%	n/a	100%	100%	Finance	
IDP 2011/110		To ensure effective expenditure control	Total operating expenditure	R value	n/a	171,598,000	n/a	19,5963,000	173379288.58	Finance	An amount budgeted for asset register was only used after year-end.
IDP 2011/111			Budget vs. Actual	Monthly report	n/a	12	n/a	12	12	Finance	
IDP 2011/112			Maintain Fixed assets register	Monthly updates	n/a	Annual	n/a	4	In progress	Finance	
IDP 2011/113			Schedule of expenditure submitted to Council monthly	Number of reports submitted	n/a	12	n/a	12	12	Finance	

IDP Indicator No.	National KPA objective	Strategic objective	Measurable Objective/Output	Performance Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures	
								Annual	Actual			
IDP 2011/114	To ensure compliance to SCM prescripts		Procurement Plan 2010/11	Date approved	n/a	n/a	n/a	31/12/2010	03/12/2010	Finance		
IDP 2011/115			Procurement Plan 2011/12	Date approved	n/a	n/a	n/a	30/06/2011	Not achieved	Finance	SCM Policy was withdrawn and therefore the plan could not be tabled	
IDP 2011/116			SCM performance reporting	Monthly	n/a	n/a	n/a	n/a	12	12	Finance	
IDP 2011/117			SCM Policy reviewed	Y/N	n/a	n/a	Y	n/a	30/06/2011	29/06/2011	Finance	
IDP 2011/118			Targeted spend achieved	Total rand value of contracts awarded	n/a	n/a	35,400,000	n/a	47,399,000	28 000 000	Finance	
IDP 2011/119				Total points of contracts awarded to SMMIEs	n/a	n/a	80/20=	n/a	2	Achieved	Finance	
						90/10=	1					

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Measure/Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
							Backlog	Annual		
IDP 2011/120				Total rand value of contracts awarded to BEE suppliers	n/a	80/20	n/a	2	Finance	
								1	Achieved	
IDP 2011/121				Total rand value of contracts awarded to women	n/a	80/20	n/a	2	Finance	
								1	Achieved	
IDP 2011/122				Total rand value of contracts awarded to youth	n/a	80/20	n/a	2	Finance	
								1	Achieved	

IDP Indicator No.	National KPA	Strategic objective	Measurable Objective/Output	Performance Indicator (Unit of Measure)	Demand	Baseline (2009/10 estimates)	Backlog	Targets 2010-11		Responsible Department	Reason for non performance/Corrective measures
								Annual	Actual		
IDP 2011/123				Total rand value of contracts awarded to people with disabilities	n/a	0	n/a	2	Achieved	Finance	
								1			
IDP 2011/124			Compliance with SCM regulations	% compliance	n/a	n/a	n/a	100%	100%	Finance	

SIGNED: _____

P.N. NJOKO(ms)

MUNICIPAL MANAGER

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

WORKFORCE PROFILE AND CORE & SUPPORT FUNCTIONS

1. WORKFORCE PROFILE

Total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	19	0	1	1	10	1	0	0	0	0	32
Senior management	5	0	0	0	5	0	0	0	0	0	10
Professionally qualified and experienced specialists and mid-management	3	0	0	0	4	0	1	0	0	0	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	18	0	1	0	23	0	1	6	0	0	49
Semi-skilled and discretionary decision making	18	1	0	0	20	0	0	0	0	0	39
Unskilled and defined decision making	14	0	0	0	18	0	0	0	0	0	32
TOTAL PERMANENT	77	1	2	1	80	1	2	6	0	0	170
Temporary employees	8	0	0	0	14	0	0	0	0	0	22
GRAND TOTAL	85	1	2	1	94	1	2	6	0	0	192

1.1 Total number of employees with disabilities only in each of the following occupational levels

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	0	0	0	0	0	0	0	0	0	0	0
Temporary employees	1	0	0	0	1	0	0	0	0	0	2
GRAND TOTAL	1	0	0	0	1	0	0	0	0	0	2

Core Operation Functions and Support Functions by Occupational Level

2.1 Total number of employees (including people with disabilities), that are involved in Core Operation Function positions at each level in your organization only.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	19	0	1	1	10	1	0	0	0	0	32
Senior management	5	0	0	0	5	0	0	0	0	0	10
Professionally qualified and experienced specialists and mid-management	3	0	0	0	4	0	1	0	0	0	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	18	0	1	0	23	0	1	6	0	0	49
Semi-skilled and discretionary decision making	18	1	0	0	20	0	0	0	0	0	39
Unskilled and defined decision making	14	0	0	0	18	0	0	0	0	0	32
TOTAL PERMANENT	77	1	2	1	80	1	2	6	0	0	170
Temporary employees	8	0	0	0	14	0	0	0	0	0	22
GRAND TOTAL	85	1	2	1	94	1	2	6	0	0	192

2.2 Total number of employees (including people with disabilities), that are involved in **Support Function** positions at each level in your organization

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	0	0	0	0	0	0	0	0	0	0	0
Temporary employees	1	0	0	0	1	0	0	0	0	0	2
GRAND TOTAL	1	0	0	0	1	0	0	0	0	0	2

WORKFORCE MOVEMENT

Recruitment

3.1 Total number of new recruits, including people with disabilities.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	1	0	0	0	0	0	02
Senior management	0	0	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	1	0	0	0	0	0	01
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	1	0	0	0	3	0	0	0	0	0	4
Temporary employees	8	0	0	0	14	0	0	0	0	0	22
GRAND TOTAL	9	0	0	0	17	0	0	0	0	0	26

Promotion

4.1 Total number of promotions into each occupational level, including people with disabilities.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	0	0	2	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	1	0	0	0	1	0	0	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	3	0	0	0	0	0	3
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	2	0	0	0	6	0	0	0	0	0	8
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	2	0	0	0	6	0	0	0	0	0	8

Termination

5.1 Total number of terminations in each occupational level, including people with disabilities.

Note:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	8	0	0	0	4	0	0	0	0	0	12
Senior management	1	0	0	0	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	0	0	0	4	0	0	1	0	0	7
Semi-skilled and discretionary decision making	5	0	0	0	1	0	0	0	0	0	6
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	17	0	0	0	9	0	0	1	0	0	27
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	17	0	0	0	9	0	0	1	0	0	27

5.2 Total number of terminations, including people with disabilities, in each **termination category** below.

Terminations	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Resignation	4	0	0	0	2	0	0	1	0	0	7
Non-renewal of contract	1	0	0	0	3	0	0	0	0	0	4
retrenchment – Operational requirements	0	0	0	0	0	0	0	0	0	0	0
Dismissal - misconduct	6	0	0	0	3	0	0	0	0	0	9
Dismissal - incapacity	0	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0	0
Death	6	0	0	0	1	0	0	0	0	0	7
TOTAL	17	0	0	0	9	0	0	1	0	0	27

SKILLS DEVELOPMENT

Skills Development

- 6.1 Total number of people from the designated groups, including people with disabilities, who received training **solely** for the purpose of achieving the numerical goals, and not the number of training courses attended by individuals.

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	4	0	0	0	1	0	0	0	5
Senior management	1	0	0	0	1	0	0	0	2
Professionally qualified and experienced specialists and mid-management	0	0	0	1	0	0	1	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8	0	1	0	13	0	0	0	22
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	13	0	1	1	15	0	1	0	31
Temporary employees	0	0	0	0	0	0	0	0	0
GRAND TOTAL	13	0	1	1	15	0	1	0	31

6.2 Total number of **people with disabilities only** who received training **solely** for the purpose of achieving the numerical goals, and not the number of training courses attended by individuals.

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	0	0	0	0	0	0	0	0	0
Temporary employees	0	0	0	0	0	0	0	0	0
GRAND TOTAL	0	0	0	0	0	0	0	0	0

CHAPTER 4: AUDITED FINANCIAL STATEMENT AND RELATED FINANCIAL INFORMATION

AUDIT REPORT

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 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)(MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic 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 the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. 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 municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of 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 45 to the financial statements, the corresponding figures for 30 June 2010 in respect of debtors, revenue and bad debts written off have been restated as a result of valuation roll appeals as well as adjustments of values of properties made by the municipal valuers, in the financial statements of the Umtshezi Municipality at, and for the year ended, 30 June 2010.
10. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2010 in respect of property, plant and equipment have been restated as a result of the expiration of the exemptions allowed in Directive 4 of the GRAP reporting framework, in the financial statements of the Umtshezi Municipality at, and for the year ended, 30 June 2010.

Material losses

11. As disclosed in note 44 to the financial statements, the municipality incurred material electricity distribution losses of R6,398 million (15,487 million kilowatt hours).

Material underspending of conditional grants

12. As disclosed in note 11 to the financial statements, the municipality underspent on three conditional grants totalling R2,392 million. The most significant underspending was in the neighbourhood development partnership grant of R2 097 942.

Additional matter

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

Unaudited supplementary schedules

14. The supplementary information set out on pages xx to xx do 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

15. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages xx to xx and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

16. There are no material findings on the annual performance report.

Compliance with laws and regulations

17. There are no findings concerning material non-compliance with laws and regulations applicable to the municipality.

INTERNAL CONTROL

18. In accordance with the PAA and in terms of *General Notice No.1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statement and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

Auditor-General

Pietermaritzburg

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

AUDIT AND PERFORMANCE MANAGEMENT REPORT

Members were appointed to the APM Committee of the Mtshezi Local Municipality in 2007 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 Local 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 para 2.(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.

AUDIT COMMITTEE MEETINGS

Meetings were held in accordance with the requirements of the Audit Charter and were held fairly regularly although the frequency in the first half of the financial year was not entirely acceptable. 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 has been rectified. The appointment of the outsourced, Internal Auditor, was not done timeously (03 February 2011), and provided for reviews of :

- Performance Management (Quarterly Visits) – Detailed Control and compliance tests
- Division of revenue Act (DORA) – detailed follow-up/control and compliance tests
- Corporative Governance Review – workshop & governance gap review
- Loss Control – Detailed follow-up tests
- Tenders, Contracts & Project Management – Detailed follow-up/control and compliance tests
- Purchases & Payables – Detailed follow-up/control and compliance tests
- Revenue & Accounts Receivable – Detailed follow-up tests
- Human Resources & Payroll – Detailed follow-up tests
- Receipting & Banking – Detailed follow-up tests
- Asset Management – Detailed follow-up tests
- Risk Driven Work – Detailed Control Tests of specific controls and
- Financial Statement Review – High level review of the draft financial statements.

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent although certain factors were observed that could have comprised our effectiveness and efficiency to a minor extent. These are :

- The Corporate Governance review was not performed due to the local govt. elections late in the financial year. It is recommended that the Corporate Governance workshop and governance gap review be rolled over to the 2011/2012 financial year and should be contacted early into the new year.
- Internal Audit reports in respect of Performance Management, issued in April 2011, highlighting control weaknesses and action taken indicated a more aggressive management response was needed.
- Delays in providing responses to requests for comments by Internal Audit
- The internal audit findings in respect of the draft financial statements are due to be considered by the Audit Committee, the Municipal Manager and the Chief Financial Officer prior to the financial statements being submitted to the Auditor General.

RECOMMENDATION

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.

We repeat our statement made in the 2010 financial year in respect of the problem of funding and budget constraints. 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 (Auditor General) (except for the matters of emphasis), and the benefit of pro-active monitoring of all areas of governance within the municipality.

RECOMMENDATIONS

- *It is recommended that the budget for the proper functioning of the Audit Committee should be re-visited at a joint meeting between Senior Management (Directors & Sec 57), SCOPA and the Audit Committee to chart an efficient and effective program, that will maximize the effectiveness of the Audit Committee and add value to the performance of the Municipality, whilst ensuring a clean audit in 2013.*
- *That the appointment of Internal Auditors for 2011/2012 be fast tracked and made timeously so that pro-active governance can be enacted efficiently and effectively, more especially considering the proposed deadline of 2014 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 four years during which time the municipality has grown from strength to strength and developed a stature that has to be commended despite major problem areas that existed previously and the new challenges that arise on a regular basis..*

- *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

This is an area of concern that has been addressed on a regular basis during the course of year and advice and recommendations were given and made to representatives. The risk assessment performed by Provincial Treasury on 28 September 2010 was tabled at the Audit Committee on 03 January 2011. This was not updated 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. Internal Audit should ensure that a comprehensive report together with a strategy and plan is submitted to the Audit Committee for scrutiny as soon as possible. Special attention must be devoted to IT.*

ACCOUNTING POLICIES

The accounting policies are consistent with those presented in 2009/2010 and are adequate. Requirements in terms of GRAP seem to have been successfully incorporated into the system.

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 and that they be submitted to the Audit Committee at least 5 to 7 days before scheduled meetings.*

PERFORMANCE MANAGEMENT

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. Whilst sympathizing with PMS management we do feel that a more aggressive and hard-line management attitude needs to be implemented within the confines of labour legislation and job descriptions, from management down the reporting line.

Our mantra over the years has always been the need and necessity for on-going training for both staff and the audit committee. It is disappointing to note report that nothing of this nature took place in the past financial year. The positives of the previous financial year did not materialize in 2010/2011. We urge Council to ensure some training or/and workshops do take place regularly whether they be conducted in-house or by an outside agency like Treasury.

RECOMMENDATION

- *That PMS be placed high-up on the municipal agenda as it may prove to be the tread that will deny Council the dream of a clean audit. The Mayor and Municipal Manager should ensure that adequate attention is given to performance management at both Organizational and Management level. Training should be prioritized in order to maximize productivity, efficiency and effective PMS governance.*

EFFECTIVE GOVERNANCE

We refer Council to the 2009/2010 Audit Committee report which stated :

“A formal review of the municipality’s governance has not been conducted. It may be of great value to re-visit this sensitive area and for management to have a brain-storming session to iron out misunderstandings and create a firm, unambiguous platform that will form the basis for all responsibilities in all Departments”.

Although this advice did not form part of our recommendation on effective governance, the Audit Committee is not aware of any action, to address this area of concern. The 2009/2010 management letter of the Auditor General and the subsequent Dashboard Report for 2011 are a clear indication of minor inadequacies and intervention is recommended to ensure more effective governance and a clean audit in 2012. We have found this area of governance to be efficient and effective.

RECOMMENDATION

- *A formal review and King III gap analysis should be performed in 2011/2012.*

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. Corporate governance seems to be an area that is oft ignored or taken seriously. Management should seriously consider the negative impact or consequences of not adhering to the principles of King III which have now been enacted into law. Here again our criticism is based on a vision and goal of a clean audit by 2012 and should not be misconstrued to reflect any serious problem. We are satisfied with the overall performance in terms of compliance.

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 Sec 57 Managers in line with their performance plans.*

OTHER MATTERS OF CONCERN

- **ELECTRICITY LOSSES** : This figure is extremely high and has an adverse effect on the cash flow and income of the municipality. Serious consideration must be given to identifying the real causes of the losses thereby reducing or solving this problem as soon as possible.
- **VARIOUS CLAIMS AGAINST THE MUNICIPALITY (CONTINGENCIES)** : Most are on-going for a number of years and remain unresolved. The future financial implications and consequences should be carefully considered and resolutions sought that will be in the best interest of the municipality in the long term.
- **DEPOSITS COLLECTED** :These amounts are accounted for as a separate entity and are used in the daily financial activity of the municipality. As these are public funds we are of the opinion that these amounts should be deposited into a separate bank account.

ISSUES REFERRED TO THE AUDIT COMMITTEE BY THE MUNICIPALITY

No specific issues were referred to the Audit Committee.

CONCLUSION

In conclusion we confirm our position regarding the review of the draft financial statements for 2011. The information provided above addresses most of the matters of emphasis that appear in the 2010 report of the Auditor General, and the recommendations made are a direct response to ensure the proper functioning of the Committee as required in terms of the MFMA.

In terms of section 166.(2)(b) of the MFMA, the Audit Committee reviewed the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation and is subject to changes that may be recommended at the Audit Committee meeting on the 29 August 2011.

A preliminary review of the draft financial statements due to be presented to the Audit Committee on 29 August 2011 revealed some of the issues mentioned above. *However the*

findings of the Auditor General are awaited in order to draw a final conclusion. We do envisage a favourable assessment and management report from the Auditor General.

We wish to extend our thanks and appreciation to the management and staff of Mtshezi Local Municipality, Dennis Kruse of PriceWaterHouse Coopers 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, in our view, significant value to the Mtshezi Local Municipality and may have, in some way, improved the quality of governance and service delivery in their area of jurisdiction. We wish you success in all your future endeavours.

In the event of our interventions, having brought some happiness or added value to the quality of life of the citizens of the Mtshezi Municipality, we are grateful for having had the opportunity to do so. As a developing nation, with so much of inequality, deprivation, illnesses and unemployment we consider it a privilege to have served, in a small way, towards the alleviation of the problems facing our citizens, especially the poorest of the poor, whose suffering is a daily grind for survival, and whose needs deserve our urgent intervention, in order for them to live a better life as espoused by our dearly beloved Nelson Mandela, Oliver Tambo and Walter Sisulu.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities

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 draft annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the draft 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 year then ended. The external auditors are engaged to express an independent opinion on the draft annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 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 draft annual financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The draft annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011.

Accounting Officer
MS P.N Njoko

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Approval of Annual Financial Statements

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

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer
PN Njoko

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

	Note(s)	2011 R	2010 Restated R
Assets			
Current Assets			
Inventories	4	533,820	388,468
Loans and receivables	13	221,835	279,698
Other receivables	6	2,228,522	3,340,493
VAT receivable	7	6,551,982	2,469,131
Consumer debtors	8	45,501,137	49,433,233
Investments	5	5,599,315	156,348
Cash and cash equivalents	9	9,942,324	9,692
		70,578,935	56,077,063
Non-Current Assets			
Property, plant and equipment	2	639,572,990	641,822,104
Intangible assets	3	169,782	246,716
Loans and receivables	13	1,421,128	526,003
Investments	5	97,921	97,921
		641,261,821	642,692,744
Non-current assets held for sale	19	2,280,702	-
Total Assets		714,121,458	698,769,807
Liabilities			
Current Liabilities			
Current portion of long term loan	43	562,131	-
Finance lease obligation	10	1,202,195	1,112,058
Trade and other payables	14	21,289,807	18,347,839
Consumer deposits	15	2,398,301	2,196,927
Retirement benefit obligation	40	926,000	-
Unspent conditional grants and receipts	11	2,392,780	2,878,852
Provisions	12	8,629,370	6,360,642
Bank overdraft	9	-	5,155,265
		37,400,584	36,051,583
Non-Current Liabilities			
Long term loan	43	5,928,712	2,242,107
Finance lease obligation	10	2,206,304	3,357,504
Retirement benefit obligation	40	10,362,000	-
		18,497,016	5,599,611
Total Liabilities		55,897,600	41,651,194
Net Assets		658,223,858	657,118,613
Net Assets			
Reserves			
Housing operating account		1,095,260	1,095,260
Accumulated surplus		657,128,598	656,023,353
Total Net Assets		658,223,858	657,118,613

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

		2011	2010
	Note(s)	R	Restated R
Revenue	16	217,818,529	185,893,721
Other income		1,037,507	1,386,213
Operating expenses		(214,112,269)	(204,044,053)
Operating surplus (deficit)		4,743,767	(16,764,119)
Investment revenue		1,069,371	333,148
Write off of current assets		(33,095)	(133,685)
Finance costs	26	(1,012,362)	(917,286)
Surplus (deficit) for the year		4,767,681	(17,481,942)

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Housing operating account R	Accumulated surplus R	Total net assets R
Balance at 01 July 2009	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	-	(17,481,942)	(17,481,942)
Total recognised income and expenses for the year	-	(10,365,135)	(10,365,135)
Change in accounting policy	-	29,263,731	29,263,731
Total changes	-	18,898,596	18,898,596
Balance at 01 July 2010 Restated	1,095,260	656,023,353	657,118,613
Changes in net assets			
Prior year adjustments	-	(7,660,844)	(7,660,844)
Additions - Fair market value	-	3,998,408	3,998,408
Surplus for the year	-	(3,662,436)	(3,662,436)
Total recognised income and expenses for the year	-	4,767,681	4,767,681
Total changes	-	1,105,245	1,105,245
Balance at 30 June 2011	1,095,260	657,128,598	658,223,858

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

	Note(s)	2011 R	2010 Restated R
Cash flows from operating activities			
Receipts			
Sale of goods and services		221,750,625	184,979,143
Payments			
Cash paid to suppliers and employees		(171,242,326)	(177,277,189)
Finance costs		(1,012,362)	(917,286)
		(172,254,688)	(178,194,475)
Net cash flows from operating activities	30	49,495,937	6,784,668
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(32,384,855)	(24,904,028)
Purchase of other intangible assets	3	-	(170,544)
Decrease in financial investments		(5,442,967)	9,397,303
Purchase of investments		-	-
Interest received		1,069,371	333,148
Increase in loans and receivables		(837,262)	(79,883)
Net cash flows from investing activities		(37,595,713)	(15,424,004)
Cash flows from financing activities			
Increase in long term loans		4,248,736	6,932
Movement in finance lease obligation		(1,061,063)	239,103
Net cash flows from financing activities		3,187,673	246,035
Net increase/(decrease) in cash and cash equivalents		15,087,897	(8,393,301)
Cash and cash equivalents at the beginning of the year		(5,145,573)	3,147,727
Cash and cash equivalents at the end of the year	9	9,942,324	(5,145,574)

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Draft Annual Financial Statements

The draft annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

These draft 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.

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Fair value estimation

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - 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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 20 Related Party disclosures
GRAP 25 Employee benefits
GRAP 104 Financial instruments
GRAP 105 Transfer of functions between entities under common control
GRAP 106 Transfer of functions between entities not under common control
GRAP 107 Mergers

The municipality has not applied the above standards that have been issued but are not yet effective. These will be applied by the municipality when they become effective.

1.2 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the 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.

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.

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, and the useful life and depreciation method of each asset are reviewed at the end of each reporting period.

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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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:

- a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Intangible assets (continued)

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.

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

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Trade and other receivables

Trade and other receivables are classified as loans and 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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments (continued)

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

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 are initially and subsequently recorded at fair value.

Investments

The municipality has investments that comprise of call accounts, money market investment accounts. These are treated as loans and receivables and are initially recorded at fair value and subsequently recorded at amortised cost.

Bank overdraft and borrowings

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

Gains and losses

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

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

Derecognition

Financial assets

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

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

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

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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each reporting 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 on the remaining balance of the liability.

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

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

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

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.7 Inventories (continued)

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

Inventories are valued at the lower cost and net realisable value. In general the basis of allocating cost to inventory items is the first in first out. Subsequent to initial recognition, the lease assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment.

1.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of non cash-generating assets

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

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on a prorata basis of the carrying amount of each asset in the unit

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.11 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 best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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 does not exceed the amount of the provision.

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

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

- the municipality has transferred to the purchaser 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 or service potential 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.

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.13 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

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.

Fines

Revenue from the issuing of fines is recognised when:

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

Other grants and donations

Other 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.

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.

1.14 Investment income

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

1.15 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 until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

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

1.17 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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.18 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.

1.19 Irregular expenditure

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

1.20 Use of estimates

The preparation of draft 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 draft annual financial statements are disclosed in the relevant sections of the draft 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.

1.21 Presentation of currency

These draft annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 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.

1.24 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.

1.26 Going concern assumption

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

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011		2010		
	R		R		
2. Property, plant and equipment					
	2011			2010 Restated	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment
Buildings	350,531,487	(51,586,778)	298,944,709	350,520,540	(38,690,084)
Motor vehicles	12,738,242	(4,187,569)	8,550,673	6,000,096	(4,165,649)
Infrastructure	379,937,041	(91,454,854)	288,482,187	357,229,455	(68,591,141)
Other equipment	14,509,210	(9,239,799)	5,269,411	13,454,644	(8,108,541)
Capital work in progress	35,120,806	-	35,120,806	30,037,320	-
Finance leased assets	6,433,097	(3,227,893)	3,205,204	6,433,097	(2,297,633)
Total	799,269,883	(159,696,893)	639,572,990	763,675,152	(121,853,048)

uMtshezi Local Municipality
Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Additions fair market value	Disposals	Depreciation	Total
Property and permanent works	600,224,012	22,718,532	-	-	(35,715,984)	587,226,560
Plant and machinery	1,760,959	99,502	257,425	(3,417)	(369,060)	1,745,409
Motor vehicles	1,834,447	3,802,114	3,571,379	(20,708)	(636,560)	8,550,672
Office equipment and furniture	3,585,144	681,220	169,603	(8,072)	(903,893)	3,524,002
Finance leased assets	4,135,464	-	-	-	(930,259)	3,205,205
Capital work in progress	30,037,320	5,083,486	-	-	-	35,120,806
Landfill site	244,759	-	-	-	(44,424)	200,335
	641,822,105	32,384,854	3,998,407	(32,197)	(38,600,180)	639,572,989

uMtshezi Local Municipality
Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2010

	Opening balance	Prior year adjustment	Additions	Disposals	Depreciation	Total
Property and permanent works	707,872,292	(71,932,296)	-	-	(35,715,984)	600,224,012
Plant and equipment	1,362,129	-	741,596	(70,949)	(271,817)	1,760,959
Motor vehicles	988,165	-	1,155,425	(6,979)	(302,164)	1,834,447
Office equipment & furniture	3,652,199	-	939,132	(55,756)	(950,431)	3,585,144
Finance lease assets	4,199,228	-	838,955	-	(902,720)	4,135,464
Capital work in progress	17,976,654	-	16,266,262	(4,205,596)	-	30,037,320
Landfill site	246,846	42,337	-	-	(44,424)	244,760
	736,297,513	(71,889,959)	19,941,370	(4,339,280)	(38,187,540)	641,822,106

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011			2010		
	R			R		
3. Intangible assets						
	2011			2010		
				Restated		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	246,718	(76,936)	169,782	869,424	(622,708)	246,716
Reconciliation of intangible assets - 2011						
		Opening balance	Additions	Amortisation	Total	
Computer software		246,716	169,782	(246,716)	169,782	
Reconciliation of intangible assets - 2010						
	Opening balance	Additions	Other changes, movements	Amortisation	Total	
Computer software	164,452	170,544	(146)	(88,134)	246,716	
4. Inventories						
Consumable stores				533,820	388,468	
5. Investments						
Current portion						
First National Bank				5,598,129	155,197	
Call account				1,186	1,151	
ABSA call account				5,599,315	156,348	
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	29,729	
FNB fixed deposit				11,000	11,000	
FNB fixed deposit				14,000	14,000	
				97,921	97,921	
6. Other receivables						
Sundry debtors				2,228,522	3,340,493	
Conditional grants overspent						
Municipal systems infrastructure grant (MSIG)				720,000	1,470,000	
Hostel development and upgrading				1,337,810	1,337,810	
Department of minerals and energy grant (DME)				156,387	518,358	

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
7. VAT receivable		
VAT Refundable	6,551,982	2,469,131
8. Consumer debtors		
Gross balances		
Rates	47,706,239	46,950,601
Electricity	12,221,316	12,967,600
Refuse	10,466,639	9,844,574
Sundry debtors	5,783,563	7,558,549
	76,177,757	77,321,324
Less: Provision for debt impairment		
Rates	(16,326,263)	(21,929,290)
Electricity	(3,693,825)	(4,804,628)
Refuse	(9,797,254)	(1,154,173)
Sundry debtors	(859,278)	-
	(30,676,620)	(27,888,091)
Net balance		
Rates	31,379,976	25,021,311
Electricity	8,527,491	8,162,972
Refuse	669,385	8,690,401
Sundry debtors	4,924,285	7,558,549
	45,501,137	49,433,233
Rates		
Current (0 -30 days)	2,207,302	3,313,691
31 - 60 days	1,965,322	1,490,690
61 - 90 days	1,411,367	1,264,387
91 - 120 days	25,795,985	18,952,543
	31,379,976	25,021,311
Electricity		
Current (0 -30 days)	7,331,698	8,162,972
31 - 60 days	768,955	-
61 - 90 days	426,838	-
	8,527,491	8,162,972
Refuse		
Current (0 -30 days)	282,073	436,953
31 - 60 days	198,910	179,393
61 - 90 days	188,402	276,847
91 - 120 days	-	7,797,208
	669,385	8,690,401
Sundry debtors		
Current (0 -30 days)	259,984	806,036
31 - 60 days	50,954	79,838
61 - 90 days	160,108	200,180
91 - 120 days	4,453,239	6,472,495
	4,924,285	7,558,549

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
8. Consumer debtors (continued)		
Reconciliation of debt impairment provision		
Balance at beginning of the year	(27,888,091)	(17,658,977)
Contributions to provision	(30,676,620)	(27,888,091)
Reversal of provision	27,888,091	17,658,977
	<u>(30,676,620)</u>	<u>(27,888,091)</u>

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.

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 2011, R 3,975,062 (2010: R 5,518,483) were past due but not impaired.

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

1 month past due	2,215,185	3,213,588
2 months past due	1,759,877	2,304,895
3 months past due	30,183,995	60,736,387

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 30,676,620 (2010: R 27,888,091) were impaired and provided for.

The ageing of these debts is as follows:

Over 3 months	30,676,620	27,888,091
---------------	------------	------------

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,846	9,692
Bank balances	9,937,478	-
Bank overdraft	-	(5,155,265)
	<u>9,942,324</u>	<u>(5,145,573)</u>
Current assets	9,942,324	9,692
Current liabilities	-	(5,155,265)
	<u>9,942,324</u>	<u>(5,145,573)</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
First National Bank - Current Account - Account Number 52200363994	8,691,212	(4,408,001)	5,167,220	9,942,324	(5,145,574)	2,798,354

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
10. Finance lease obligation		
Minimum lease payments due		
- within one year	1,778,182	1,825,312
- in second to fifth year inclusive	3,064,477	5,467,848
- later than five years	3,064,477	306,564
	<u>7,907,136</u>	<u>7,599,724</u>
less: future finance charges	(1,740,725)	(3,130,162)
Present value of minimum lease payments	<u>6,166,411</u>	<u>4,469,562</u>
Present value of minimum lease payments due		
- within one year	1,202,195	1,112,058
- in second to fifth year inclusive	1,931,311	3,055,192
- later than five years	274,993	302,312
	<u>3,408,499</u>	<u>4,469,562</u>
Non-current liabilities	2,206,304	3,357,504
Current liabilities	1,202,195	1,112,058
	<u>3,408,499</u>	<u>4,469,562</u>

It is municipality policy to lease motor vehicles and equipment under finance leases.

Interest rates are linked to prime less 2% at contract date. Contingent rents have been recognised as an expense R 46,454 (2010: R16 576) 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 average lease term is 5 years.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant (MIG)	-	2,567,499
Municipal assistance programme (MAP) grant	210,291	210,291
Good governance grant	84,547	84,547
Finance management grant (FMG)	-	16,514
NDPG	2,097,942	-
	<u>2,392,780</u>	<u>2,878,851</u>

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
11. Unspent conditional grants and receipts (continued)		
MIG Grant		
Balance unspent at the beginning of the year	2,567,499	1,496,742
Current year receipts	4,739,000	12,636,000
Conditions met - transferred to revenue	(7,306,499)	(11,565,243)
	-	2,567,499
DME Grant		
Balance unspent at the beginning of year	-	20,127
Transferred to sundry debtors	-	518,358
Conditions met - transferred to revenue	-	(538,485)
	-	-
MAP Grant		
Balance unspent at the beginning of the year	210,291	575,090
Current year receipts	-	-
Conditions met - transferred to revenue	-	(364,799)
	210,291	210,291
FMG Grant		
Balance unspent at the beginning of the year	16,514	487,650
Current year receipts	1,200,000	750,000
Conditions met - transferred to revenue	(1,216,514)	(1,221,136)
	-	16,514
Hostel development and upgrading		
Balance unspent at the beginning of the year	-	9,613,884
Transfer to sundry debtors	-	1,337,810
Conditions met - transferred to revenue	-	(10,951,694)
	-	-
Good governance grant		
Balance unspent at the beginning of the year	84,547	500,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(415,453)
	84,547	84,547
Neighbourhood development partnership grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	14,815,505	-
conditions met - transferred to revenue	(12,717,563)	-
	2,097,942	-

MIG Grant

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. It is currently used for the construction of gravel roads, building of creches and it will be used for fencing of the landfill site in 2012.

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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
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11. Unspent conditional grants and receipts (continued)

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.

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 and 2012 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

Finance Management 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.

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.

Neighbourhood development partnership grant

This grant is utilised neighbourhood upliftment and advancement. Projects have been committed and are in progress.

Good Governance Grant

This grant used to assist the Municipality to achieve good governance.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

			2011 R	2010 R
12. Provisions				
Reconciliation of provisions - 2011				
Legal proceedings	183,540	-	(183,540)	-
Leave pay provision	5,777,102	5,768,368	(5,777,102)	5,768,368
Provision for landfill site	400,000	40,000	-	440,000
Provision for housing project (SROR)	-	2,421,002	-	2,421,002
	6,360,642	8,229,370	(5,960,642)	8,629,370
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
	3,513,465	6,360,642	(3,513,465)	6,360,642
<p>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.</p>				
<p>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. In the 2011 financial year the provision was fully utilised therefore reduced to nil.</p>				
<p>Leave pay provision is calculated on all outstanding leave balances as at 30 June 2011. 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 2011.</p>				
<p>The municipality challenged SROR Developments CC on the quality of houses that were built for the Wembezi housing project. The municipality felt that the houses were of poor quality. This was challenged by the developer and the matter was taken to court. The arbitration award was given in the developers favour to the value of R2421002</p>				
13. Loans and receivables				
Long term debtor				
Land debtor			1,614,511	779,560
Land sales relate to the sale of vacant sites. The terms and conditions specified in the deed of sale states that the purchase price must be paid over a period of 5 years				
Sports club debtor			28,452	26,142
This debtor relates to funds that the Municipality provided to sporting clubs in prior years. There is no specific repayment terms.				
			1,642,963	805,702
Non-current assets				
Loans and receivables			1,421,128	526,003
Current assets				
Loans and receivables			221,835	279,698

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
14. Trade and other payables		
Trade payables	18,801,865	15,682,931
Payments received in advanced - prepaid electricity meters	669,333	590,180
Audit fee accrual	966,000	920,000
Sundry creditor	852,609	1,154,728
	21,289,807	18,347,839
The fair value of trade and other payables approximates the carrying amount		
15. Consumer deposits		
Electricity	2,398,301	2,196,927
Interest is not paid to consumers when deposits are refunded.		
Guarantees held in lieu of electricity deposits R1 885 965 (2010: R1 885 965).		
16. Revenue		
Rendering of services	1,429,187	944,519
Property rates	33,739,085	29,163,986
Property rates – Penalties imposed and collection charges	6,239,418	5,007,707
Service charges	126,514,097	101,723,939
Rental of facilities & equipment	407,825	748,325
Fines	200,800	345,986
Licences and permits	4,238,603	4,010,167
Government grants & subsidies	45,049,514	43,949,092
	217,818,529	185,893,721
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	1,429,187	944,519
Service charges	126,514,097	101,723,939
Rental of facilities & equipment	407,825	748,325
Licences and permits	4,238,603	4,010,167
	132,589,712	107,426,950
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	33,739,085	29,163,986
Property rates – Penalties imposed and collection charges	6,239,418	5,007,707
Fines	200,800	345,986
Government grants & subsidies	45,049,514	43,949,092
	85,228,817	78,466,771

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
17. Property rates		
Rates received		
Property rates	33,739,085	29,163,986
Property rates - penalties imposed and collection charges	6,239,418	5,007,707
	39,978,503	34,171,693

Full property valuation 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.

ADDITIONAL RELIEF

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

The following general rates applied:

CATEGORY	IMPERMISSABLE	REBATE	RANDAGE
Residential	30 000	53%	0.015551
Commercial	-	As Per Table	0.031942
Agriculture	-	50%	0.0025
Public Service Infrastructure	-	First 30% non rated	0.02725
State Owned	-	-	0.02725
Industrial	-	As Per Table	0.031944

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	28.999%
>1.5 million – 2.5 million	34.07%
>2.5 million – 7.5 million	23.925%
>7.5 million -10 million	25.956%
>10 million	21.390%

REBATES FOR INDUSTRIAL PROPERTIES

Value of property	Rebate
0-1 Million	23.930%
>1-2 million	18.860%
>2-5 million	37.115%
>5-36 million	44.213%
>36 million	67.542%

Rates are levied on a monthly basis.

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

Property valuations	2011	2010
Agriculture	598,962,000	607,712,000
Agricultural smallholding	98,663,000	102,446,000
Commercial	362,943,000	366,949,000
Communal property	143,224,000	134,304,000
Game farms	22,341,000	22,341,000
Industrial	334,395,000	333,173,000
Institutional	22,812,000	22,532,000
Municipal	230,861,333	341,978,333

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
17. Property rates (continued)		
Public benefit organisation	2,700,000	2,970,000
Public service infrastructure	42,515,845	38,550,845
Residential	1,570,351,120	1,529,424,120
Residential hospitality	24,280,000	23,093,000
Sectional title - Commercial	7,800,000	7,800,000
Sectional title - Residential	61,191,000	55,876,000
Sectional title - Residential hospitality	2,043,000	2,043,000
State owned	294,502,000	285,308,000
Place of worship	51,319,000	43,114,000
	3,870,903,298	3,919,614,298
18. Service charges		
Sale of electricity	121,165,243	96,669,272
Refuse removal	5,348,854	5,054,667
	126,514,097	101,723,939
19. Non-current assets held for sale		
Land sales for 2010/2011		
Lot 769	1,228,070	-
Lot 1650	1,052,632	-
	2,280,702	-
<p>The purchase price was not paid and was not registered in the Deeds office. Sale of Lot 769 was pending approval from the bank for a loan to purchase the land as stated in the title deed. As of the 30 June 2011, Lot 1650 was not paid and transferred into the name of the purchaser. Lot 1650 was paid and transferred to the purchaser 29 July 2011.</p>		
20. Government grants and subsidies		
Equitable share	20,784,641	16,937,643
DME	298,029	538,485
NDPG	12,717,563	-
Department of Health grant	1,948,268	1,573,639
Municipal infrastructure grant	7,306,499	11,565,243
Hostel development grant	-	10,951,694
MSIG	-	100,000
Good Governance grant	-	415,453
FMG	1,216,514	1,221,136
Councillors Remuneration	778,000	-
Subsidy province	-	281,000
MAP Grant	-	364,799
	45,049,514	43,949,092

uMtshezi Local Municipality

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Notes to the Draft Annual Financial Statements

	2011	2010
	R	R
21. General expenses		
Advertising	205,906	618,366
Auditors remuneration	1,749,802	1,657,919
Bank charges	832,899	541,193
Cleaning	3,000	11,975
Commission paid	836,771	343,714
Consulting and professional fees	1,470,981	1,954,430
Donations	11,000	-
Entertainment	29,588	66,022
Insurance	426,629	503,327
IT expenses	26,912	3,566
Lease rentals on operating lease	46,454	-
Fleet	250,389	314,416
Promotions and sponsorships	-	97,705
Levies	20,481	195,579
Medical expenses	116,107	104,637
Pest control	-	2,880
Fuel and oil	1,303,731	987,045
Postage and courier	331,503	265,250
Printing and stationery	482,753	543,635
Protective clothing	125,686	295,421
Project maintenance costs	1,136,891	1,431,159
Security (Guarding of municipal property)	2,987,870	2,477,204
Software expenses	927,353	371,468
Telephone and fax	1,541,391	1,128,203
Training	47,272	113,004
Travel - local	418,354	716,556
Electricity	-	866,247
Sewerage and waste disposal	10,249	724,479
Water	1,039,743	1,087,370
Refuse	28,071	22,473
Chemicals	62,947	102,221
Other expenses	5,989,478	5,294,350
	22,460,211	22,841,814

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
22. Employee related costs		
Basic	34,611,555	30,977,983
Bonus	3,181,250	2,679,684
Medical aid - company contributions	2,540,824	2,249,799
Skills development levy	432,963	381,430
Other payroll levies	16,268	14,338
Leave pay provision charge	(8,734)	2,263,638
Post-employment benefits - Pension - Defined contribution plan	5,859,343	4,867,735
Overtime payments	1,477,175	1,581,183
Car allowance	1,087,980	975,151
Housing benefits and allowances	326,580	319,258
Other allowances	523,334	380,334
Redemption of leave	181,305	140,382
Insurance	559,395	520,200
	50,789,238	47,351,115
Remuneration of municipal manager		
Annual Remuneration	897,211	827,075
Car Allowance	1,497	9,634
	898,708	836,709
Remuneration of chief finance officer		
Annual Remuneration	527,104	485,900
Car Allowance	147,356	120,000
	674,460	605,900
Remuneration of Director Corporate Services		
Annual Remuneration	-	29,014
Car Allowance	-	17,714
Other	-	119,643
	-	166,371
<p>The Director of Corporate Services resigned on the 31/07/2009 and his duties have performed by the Director of Planning, Economic & Corporate Services.</p>		
Remuneration of Director Planning, Economic & Corporate Services		
Annual Remuneration	372,138	343,047
Car Allowance	353,678	243,614
	725,816	586,661
23. Remuneration of councillors		
Executive Mayor	352,149	400,370
Deputy Executive Mayor	308,899	320,296
Speaker	314,659	320,296
Councillors	1,223,577	1,277,583
Councillors' pension contribution	349,052	364,987
Executive committee members	153,227	165,153
Councillors allowances	971,477	994,457
	3,673,040	3,843,142

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
24. Debt impairment		
Contributions to debt impairment provision	2,788,529	8,629,584
Bad debts written off	-	1,859,289
	2,788,529	10,488,873
25. Depreciation and amortisation		
Property, plant and equipment	38,677,009	38,275,674
26. Finance costs		
Non-current borrowings	148,837	148,837
Finance leases	823,525	768,449
Provision of land fill site (Unwinding of discount)	40,000	-
	1,012,362	917,286
27. Auditors' remuneration		
Audit Fees: External	1,296,094	1,052,196
Audit fees: Internal	453,708	585,723
	1,749,802	1,637,919
28. Rental of facilities and equipment		
Premises		
Venue hire	407,825	748,325
29. Bulk purchases		
Electricity	92,582,032	74,022,509
30. Cash generated from operations		
Surplus (deficit)	4,767,681	(17,481,942)
Adjustments for:		
Depreciation and amortisation	38,677,009	38,275,674
Gain on sale of non-current assets and disposal groups	33,095	133,685
Finance costs - Finance leases	823,525	768,449
Interest income	(1,069,371)	(333,148)
Finance costs	188,837	79,883
Debt impairment	2,788,529	10,488,873
Movements in provisions	2,268,728	2,847,177
Changes in working capital:		
Inventories	(145,352)	(19,928)
Other receivables	1,111,971	734,127
Consumer debtors	1,476,866	(11,460,366)
Trade and other payables	2,941,968	(8,882,164)
VAT	(4,082,851)	1,293,386
Unspent conditional grants and receipts	(486,072)	(9,814,641)
Consumer deposits	201,374	155,603
	49,495,937	6,784,668

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
31. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Ninham Shand	254,688	-
• Parking Lot	800,000	350,000
• MIG - Excellence @ Work	-	318,118
• MIG - Sharma consulting	101,500	527,895
• MIG - Zamolwe - africa consulting	101,500	542,453
• MIG Registered Projects	21,791,400	32,441,000
	23,049,088	34,179,466
Operating leases - lessee		
Minimum lease payments due		
- within one year	1,781,753	-
- in second to fifth year inclusive	2,168,291	-
	3,950,044	-

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its fleet vehicles. Leases are negotiated for three years for the rental of the motor vehicles vary. Lease rentals for the fleet vehicles are linked to the prime interest rate.

32. Contingencies

At the time of completion of the annual financial statement, there were no contingencies.

33. Related parties

The term of office of the previous Mayor ended in 22 October 2010. The mayor was a member of Inkomfe Trust. There are no other related parties in Umtshezi Municipality.

34. 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.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
34. Risk management (continued)		
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.		
2011		
2% Increase in investments	113,945	-
2% Decrease in investments	-	(113,945)
2% Increase in loans	-	(197,969)
2% Decrease in loans	197,969	-
2010		
2% Increase in investments	5,085	-
2% Decrease in investments	-	(5,085)
2% Increase in loans	-	(134,233)
2% Decrease in loans	134,233	-
	<u>451,232</u>	<u>(451,232)</u>

Credit risk

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

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

35. Going concern

The draft 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.

36. Irregular expenditure

Opening balance	340,000	349,900
Correct procedures not followed	91,000	340,000
Less: Amounts condoned	(431,000)	(349,900)
	<u>-</u>	<u>340,000</u>

Details of irregular expenditure condoned

Indigent burials	91,000	-
Quotes not obtained	-	340,000
	<u>91,000</u>	<u>340,000</u>

37. In-kind donations and assistance

A donation of R10 000 was received for the mayoral inauguration.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
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37. In-kind donations and assistance (continued)

Assistance was given to the Municipality by the Province for the compilation of the organisational scorecard and with Performance Management Information.

38. 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 Municipal Manager and noted by Council. All expenses incurred have been condoned.

39. Actual operating expenditure versus budgeted operating expenditure

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

40. 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.

Municipal employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund and Government Employees Pension Fund, Associated Institution Pension Fund and KZN Joint Provision Fund or Pension Fund or Retirement Fund. All contributions have been included in the employee related cost note.

Certain councillors have opted to join the Municipal Council's Pension Fund.

Post retirement medical aid plan

The municipality provides post retirement health care benefits to employees who have terminated their employment due to age, ill health or other disability. The municipality currently provides a medical subsidy to thirty two (32) retired employees.

Economic Assumptions

Discount Rate (D)	8.50%
Consumer Price Inflation (C)	6.00%
Health Care Cost Inflation (H)	7.00%
Net Discount Rate $((1+D)/(1+H)-1)$	1.40%

Liability Valuation Method

The liability is taken as the present value of the employer's share of continuation member contributions to the medical scheme. Continuation member contributions are projected into each future year using the assumed rate of health care cost inflation and then discounted back using the discount rate.

For each pensioner, the liability stops when the pensioner and any remaining spouse are assumed to have died.

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
41. Councillor's arrear consumer accounts		
The following Councillors had arrear accounts on 90 days outstanding as at 30 June: -		
Dlamini Bhekithemba Abel	10,387	-
Lite Edith	2,743	-
Magubane Siphamandla Duncan	7,644	-
Mdakane Mhlabumangele Zeph	7,570	-
Ndawonda Bongumusa Howard	11,658	-
Zuma Ntokozo Fortune	3,981	-
	43,983	-
42. Fruitless and wasteful expenditure		
At the time of completion of the annual financial statement, there were no fruitless and wasteful expenditure.		
43. Current portion of long term loan		
The municipality has received two loans from Development Bank of Southern Africa(DBSA) to fund the purchase of assets and implementation of the municipal property rates act (property valuation). The loan term of the property valuation loan is 4 years and the loan is 10 years. Each loan has a fixed interest rate of 6.75% per annum, payable every six months.		
DBSA loans	6,490,844	2,242,107
Less: Current portion transferred to current liabilities	(562,131)	-
Non current portion	5,928,713	2,242,107
44. Electricity Losses		
Electricity units purchased from Eskom		
Estcourt (units)	205,322,198	208,915,222
Wembezi (units)	12,732,129	12,422,189
	218,054,327	221,337,411
Electricity units sold by the Municipality		
Domestic (units)	34,499,240	38,087,920
Commercial (units)	12,805,458	11,838,320
Bulk (units)	2,726,660	152,584,110
Departmental (units)	152,535,775	2,675,418
	202,567,133	205,185,768
Electricity losses for the financial year is %7.1(2010: 7,3%). These losses are attributable to electricity line losses within the electricity network infrastructure.		
45. Prior period errors		
Adjustments were made to the property rates income due to valuation roll appeals and adjustments of values of properties made by the municipal valuers.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Debtors	-	2,754,517
Statement of Financial Performance		
Revenue	-	768,065
Bad debts written off	-	1,986,451

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Notes to the Draft Annual Financial Statements

	2011 R	2010 R
46. Events after the reporting date		
Subsequent to year an item on non-current assets held for sale was sold (this relates to 1650). On 29 July 2011 the title deed was transferred to the purchaser.		
47. Unauthorised expenditure		
Remuneration of councillors	-	386,141
Salaries and wages	-	1,414,010
Provision for doubtful debts	-	6,488,873
Depreciation	-	575,759
Finance charges	-	575,786
Other expenditure	-	2,469,369
Capital	-	3,155,422
Expenditure authorised by Council	-	(15,065,360)
	-	-

At the time of completion of the annual financial statement, unauthorised expenditure relating finance charges and depreciation was authorised by council resulting in no unauthorised expenditure.

All unauthorised expenditure recorded for the 2010 financial year has been authorised by council.

48. Prior year restatement

The draft annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Property, plant and equipment

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the expiration of the transitional provisions for Property, plant and equipment as per Directive 4 (available to medium capacity municipalities) of the GRAP reporting framework.

Property, plant and equipment (Cost)

Balance previously reported	-	728,258,447
Transitional provisions restatement	-	35,416,705
Total	-	763,675,152

Property, plant and equipment (Accumulated depreciation)

Balance previously reported	-	(95,968,856)
Transitional provisions restatement	-	(25,884,192)
Total	-	(121,853,048)

uMtshezi Local Municipality

Draft Annual Financial Statements for the year ended 30 June 2011

Detailed Statement of Financial Performance

	Note(s)	2011 R	2010 R
Revenue			
Rendering of services		1,429,187	944,519
Property rates	17	33,739,085	29,163,986
Service charges	18	126,514,097	101,723,939
Property rates - penalties imposed and collection charges		6,239,418	5,007,707
Rental of facilities and equipment		407,825	748,325
Fines		200,800	345,986
Licences and permits		4,238,603	4,010,167
Government grants & subsidies	20	45,049,514	43,949,092
Administration and management fees received		3,779	2,590
Fees earned		4,633	37,192
Discount received		3	2
Other income		1,029,092	1,346,429
Interest received - investment		1,069,371	333,148
Total Revenue		219,925,407	187,613,082
Expenditure			
Employee related cost	22	(50,789,238)	(47,351,115)
Remuneration of councillors	23	(3,673,040)	(3,843,142)
Depreciation and amortisation	25	(38,677,009)	(38,275,674)
Finance costs	26	(1,012,362)	(917,286)
Debt impairment	24	(2,788,529)	(10,488,873)
Repairs and maintenance		(3,142,210)	(7,220,926)
Bulk purchases	29	(92,582,032)	(74,022,509)
General Expenses	21	(22,460,211)	(22,841,814)
Total Expenditure		(215,124,631)	(204,961,339)
Loss & scrapping of assets		(33,095)	(133,685)
Surplus (deficit) for the year		4,767,681	(17,481,942)

UMTSHHEZI MUNICIPALITY - KZN234
ANNEXURE A: Statement of comparative and actual information

Description	2010 / 2011								
	1	2	3	4	5	6	7	8	9
R thousand or R	Original Budget	Budget Adjustments (I.L.S. 234 and 231 of MFMA)	Virement (I.L.S. Council approved by IWM)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Financial Performance									
Property rates	31,332,000.00	31,332,000.00		31,332,000.00	33,739,065.00		2,407,065.00	107.68	107.68
Property rates - penalties imposed and collection charges	5,357,000.00	5,757,000.00		5,757,000.00	6,239,418.00		482,418.00	108.98	116.47
Service charges	132,004,000.00	131,841,000.00		131,841,000.00	128,514,097.00		-3,326,903.00	95.95	95.84
Transfers recognised - Operational	35,935,000.00	25,497,000.00		25,497,000.00	25,025,452.00		-471,548.00	98.15	69.84
Other own revenue	6,759,000.00	7,043,000.00		7,043,000.00	9,383,293.00		1,340,293.00	119.03	124.03
Total Revenue (excluding capital transfers and contributions)	211,337,000.00	201,470,000.00		201,470,000.00	199,901,345.00		-1,568,655.00	99.22	94.57
Employee cost	47,259,000.00	53,106,000.00		53,106,000.00	50,789,238.00		-2,316,762.00	95.64	107.47
Remuneration of Councillors	3,964,000.00	3,796,000.00		3,796,000.00	3,673,040.00		-122,960.00	96.76	92.66
Debt impairment	6,000,000.00	6,000,000.00		6,000,000.00	2,788,529.00		-3,211,471.00	46.48	46.48
Depreciation & asset impairment	27,100,000.00	27,100,000.00		27,100,000.00	38,677,009.00		11,577,009.00	142.72	142.72
Finance charges	964,000.00	515,000.00		515,000.00	1,012,362.00		497,362.00	196.58	105.02
Materials and bulk purchases	96,242,000.00	96,242,000.00		96,242,000.00	92,582,032.00		-3,659,968.00	96.20	94.24
Transfers and grants	-	-		-	0.00		0.00	-	-
Other Expenditure	17,398,000.00	29,418,000.00		29,418,000.00	25,635,515.00		-3,782,484.00	87.14	147.86
Total Expenditure	200,866,000.00	216,177,000.00		216,177,000.00	215,157,726.00		-1,019,274.00	99.53	107.12
Surplus / (Deficit)	10,521,000.00	-14,707,000.00		-14,707,000.00	-15,256,381.00		-549,381.00	103.74	-145.01
Transfers recognised - Capital	28,899,000.00	21,749,000.00		21,749,000.00	20,024,062.00		-1,724,938.00	92.07	69.29
Contribution recognised - capital & contributed Assets	-	-		-	-		-	-	-
Surplus / (Deficit) after capital transfers & contributions	39,420,000.00	7,042,000.00		7,042,000.00	4,767,661.00		-2,274,339.00	67.70	12.09
Share of surplus / (Deficit) of associate	39,420,000.00	7,042,000.00		7,042,000.00	4,767,661.00		-2,274,339.00	67.70	12.09
Surplus / (Deficit) for year	39,420,000.00	7,042,000.00		7,042,000.00	4,767,661.00		-2,274,339.00	67.70	12.09
Capital expenditure & funds sources									
Capital expenditure	28,899,000.00	21,729,534.00		21,729,534.00	20,179,480.48		-1,550,053.52	92.87	69.83
Transfers recognised - capital	13,210,000.00	13,025,558.00		13,025,558.00	4,248,823.83		-8,776,734.17	#DIV/0!	#DIV/0!
Public contributions and Donations	2,459,491.00	7,257,200.00		7,257,200.00	7,956,550.81		699,350.81	109.64	323.51
Borrowing	44,568,481.00	42,012,292.00		42,012,292.00	32,384,855.12		-9,627,436.88	77.08	72.66
Internally generated funds	-	-		-	-		-	-	-
Total sources of capital funds	64,136,972.00	63,994,584.00		63,994,584.00	64,569,710.23		575,126.23	101.05	100.78
Cash flows									
Net cash from (used) operating	35,747,000.00	34,578,000.00		34,578,000.00	49,495,937.00		14,917,937.00	143.14	138.46
Net cash from (used) investing	-43,508,000.00	-42,108,000.00		-42,108,000.00	-37,595,715.00		4,512,287.00	89.28	86.41
Net cash from (used) Financing	9,598,000.00	9,598,000.00		9,598,000.00	3,187,673.00		-6,400,327.00	33.25	33.25
Cash / cash equivalents at the year end	3,835,000.00	4,056,000.00		4,056,000.00	9,942,324.00		5,876,324.00	244.52	259.25

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

Column 1: First budget for the year
Column 2: May only be populated if the municipality has a virement policy approved by the council. Virements must offset each other so that Expenditure equals zero
Column 3: = 1 + (2 - 1) + 3
Column 4: Does not necessary equal the difference between column 5 and 4 because overspending is not the only reason for unauthorised expenditure
Column 5: = 5 - 4
Column 6: = (5 / 4) * 100

Column 9 - (5/13/10)

AUDIT ACTION PLAN



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2010/2011

Finding	Action plan	Implementation Date	Accountable Executive	Status
MATTERS RELATING TO THE AUDIT REPORT				
1. Material Losses relating to electricity distribution losses	-Additional meters for unmetered streetlights, including alterations of circuits to cater for metering - Bulk customers to be metered electronically, more accurate and efficient.	July 2012	D.T.S	In progress
2. Underspending of Conditional Grants	Management of projects will be done, also that funds and projects will be controlled accordingly, payments will be done on time, and all the deadlines will be met. <ul style="list-style-type: none"> • R 2.8 million will be spent on the Dump Site • R 600 000 Msobotsheni • R 550 000 will be spent on Mahhashini Creach • R 390 000 will be spent on Mimoso Myezaneni Link Road. 	3 July 2012	D.T.S	In progress

1

*** Older than 1 year (2007/2008)
Older than 6 months but within 1 year (2008/2009)
*** Current reports- Less than 6 months (2009/2010)
√ Action plan has been implemented



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2010/2011

Finding	Action plan	Implementation Date	Accountable Executive	Status
<p>OTHER IMPORTANT MATTERS</p> <p>3. Budget exceeded in terms of the budget viz Depreciation and Finance Charges</p> <p>4. Notice of termination period</p>	<p>The start of date of construction is two NDPG projects is March 2012. End date for all projects is 30 June 2012 The above can be achieved if we receive full co-operation from the Finance Department in processing of invoices and implementation of proper project management from the side of PECS Department</p>	<p>From January 2012</p>	<p>Dir PECS</p>	<p>In progress</p>
	<p>Monthly depreciation calculations will be done to monitor depreciation actual provisions vs the budget allocation</p>	<p>1 December 2011</p>	<p>CFO</p>	<p>In progress</p>
	<p>Notice of termination period will be included in the employment contracts of all newly appointed staff.</p>	<p>1 December 2011</p>	<p>Director: Corporate Services</p>	<p>Completed</p>

*** Older than 1 year (2007/2008)
Older than 6 months but within 1 year (2008/2009)
*** Current reports- Less than 6 months (2009/2010)
√ Action plan has been implemented



ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY-

2010/2011

Finding	Action plan	Implementation Date	Accountable Executive	Status
5. Employee Cost – Compulsory leave not taken by employees	Sent out notices to all not taking annual leave and advised them to do arrangements with departments	1 December 2011	Director: Corporate Services	Completed

*** Older than 1 year (2007/2008)
Older than 6 months but within 1 year (2008/2009)
*** Current reports- Less than 6 months (2009/2010)
✓ Action plan has been implemented

FINANCE REPORT

The 2010/2011 saw many changes to the municipality but financial stability was maintained and financial growth was achieved. This report is a summary of the progress made and a few challenges on the financial performance of the municipality for the 2010/2011 financial year.

Financial Analysis of 2010/2011

The draft financial statements for the 2010/2011 financial year was compiled and forwarded to the Auditor General for audit on the 31st of August 2011. The financial statements show an upward trend in the municipal finances. Below is a table that shows an analysis of the key financial ratios for the 2010/2011 financial year and the two previous years.

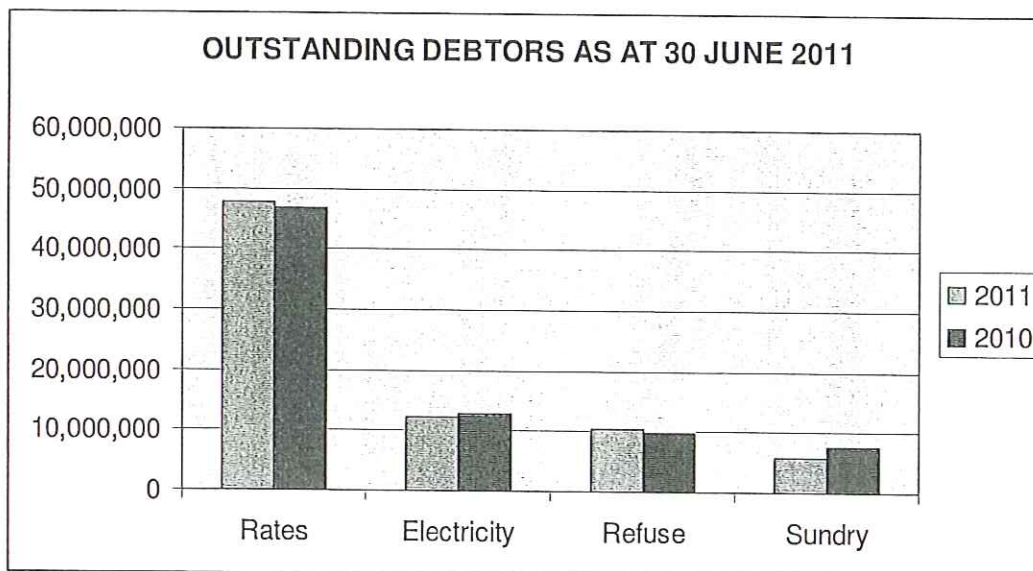
	2010/2011	2009/2010	2008/2009
Liquidity Ratio			
Current Ratio	1.89:1	1.55:1	1.50:1
Acid Test	1.87:1	1.54:1	1.49:1
Solvency Ratio	12.78:1	16.77:1	13.28:1
Debt Ratio	7.83%	5,96%	7,52%

It can be seen from the table above that there has been a marked increase in the liquidity ratios of the municipality for 2010/2011. This is largely due to the increase in cash reserves and investments at the end of the financial year. There was a R5,442,967 increase in investments from 2009/2010 to 2010/2011. The bank overdraft reported in 2009/2010 was also cleared and a favourable bank balance of R9,942,324 was reported at the end of the financial year.

The debt and solvency ratios had increased because of the increase in long term loans relating to a loan received from DBSA. This loan was for the purchasing of plant and equipment, viz a TLB, grader, compactor and refuse truck, which are all being used to improve service delivery. The debt ratios are relatively low and are therefore still acceptable.

OUTSTANDING DEBTORS / ARREAR ACCOUNTS

Outstanding debt owed to the municipality by consumers for municipal services has been a challenge. The debt had increased over the years and the revenue collection rates were low. As a result of this, various initiatives were implemented that resulted in the collection rate increasing from just over 50% to 85%. The appointment of an external debt collector, Venn Nemeth and Hart, had also assisted in achieving a higher collection rate. As at 30 June 2011, the outstanding debt figures had decreased slightly from what was reported as at 30 June 2010. It decreased from R77,321,324 to R76,177,757. This stabilization and reduction of the debt was due to the aggressive debt collection techniques. Below is a table that shows the decrease:



TOTAL	CURRENT	30 DAYS	60DAYS	90DAYS	
ELECTRICITY	12221316	7331697	768954.7	426838.4	3693825
REFUSE	10466639	282072.8	198909.7	188402.3	9797254
SUNDRY	5783563	259983.7	50953.66	160108.1	5312518
RATES	47706239	2207303	1965322	1411367	40465798
TOTAL	76177757	10081057	2984140	2186715.8	59269395

One of the major challenges regarding the outstanding debt, was the debt owed by government departments. Below is a table that shows the debt owed by government departments as at 30 June 2011:

No	Detail	Current	>30 days	>60 days	>90 days +	Total amount
1	Department of Public Works	12 424.36	10 512.74	10 504.22	1 951 048.16	1 984 489.48
2	Department of Agriculture	3 085.66	3 284.63	3 250.56	50 029.74	59 650.59
3	New Properties – to be identified	3 295.70	3 260.47	3 225.16	6 194.47	15 975.80
4	Land Affairs – rates				32 532.00	32 532.00
5	Uthukela District Municipality	515 148.91	473 682.12	251 953.50	1 875 669.15	3 116 453.68
	Total	533 954.63	490 739.96	268 933.44	3 915 473.52	5 209 101.55

The Department of Public Works and Uthukela District Municipality collectively owe the municipality R5,100,943.16. Most of the debt attributable to the Department of Public Works relates to debt that was present when the properties were split between National Public Work and Provincial Public Works. Much effort is being made by the municipality in engaging the organs of state to pay for their rates and services.

GRANTS

Below is a summary of the grants for the 2010/2011 financial year:

Details	Opening Balance	Funds Received	Expenditure	Closing Balance
Conditional / CAPEX				
MIG	2,567,499.30	4,739,000.00	7,306,499.30	0.00
FMG	16,514.32	1,200,000.00	1,216,514.32	0.00
MAP	210,291.00	0.00	0.00	210,291.76
NDPG	0.00	14,815,505.04	12,717,563.05	2,097,941.99
GOOD GOVERNANCE	84,547.00	0.00	0.00	84,547.00
Closing Balance	2,878,851.62	20,754,505.04	21,240,576.67	2,392,780.75
Unconditional / OPEX				

Health	0.00	1,948,267.65	1,948,267.65	0.00
Equitable share	0.00	21,568,688.00	21,568,688.00	0.00
Musuem	0.00	99,000.00	99,000.00	0.00
Skills Development	0.00	82,837.65	82,837.65	0.00
475 Wembezi -Housing	1,136,207.40	-	215,910.70	920,296.70
Closing Balance	1,136,207.40	24,349,793.30	23,914,704.00	920,296.70
Grand total	4,015,059.02	45,764,298.32	46,189,129.76	3,689,277.58
Overspent Grants				
	-		-	-
MSIG-Debtor	1,470,000.00	-750,000.00	0.00	720,000.00
INEP-Debtor	518,358.00	-660,000.00	298,029.09	156,387.09
Kwezi Development upgrading-Debtor	0.00	0.00	0.00	1,337,810.00

Below is a table that shows the quarterly expenditure of each grant:

Name of Grant	1 Jul. 2010 to 30 Sep 2010		1 Oct. 2010 to 31 Dec. 2010		1 Jan. 2011 to 31 Mar. 2011		1 Apr. 2011 to 30 Jun. 2011	
	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure
Conditional								
MIG	-R 2,800,000	R 512,495	-R 900,000	R 3,428,558	-R 1,039,000	R 1,340,023	R 0	R 2,025,423
FMG	-R 1,200,000	R 129,363	R 0	R 393,480	R 0	R 174,974	R 0	R 196,961
NDPG	-R 6,000,000	R 0	-R 4,915,505	R 6,000,000	-R 3,900,000	R 229,855	R 0	R 518,697
MAP	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
INEP	-R 660,000	R 26,602	R 0	R 0	R 0	R 84,962	R 0	R 186,465
GOOD GOVERNANCE	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
TOTAL	-R 10,660,000	R 668,460	5,815,505	R 9,822,038	4,939,000	R 1,829,814	R 0	R 2,927,547
UNCONDITIONAL								
HEALTH	R 0	R 0	R 0	R 0	-R 1,948,268	R 1,948,268	R 0	R 0
EQUITABLE SHARE	-R 8,986,953	R 8,986,953	-R 7,189,563	R 7,189,563	-R 5,392,172	R 5,392,172	R 0	R 0
MUSEUM	R 0	R 0	-R 99,000	R 99,000	R 0	R 0	R 0	R 0
SKILLS								
DEVELOPMENT	R 0	R 0	-R 66,614	R 66,614	R 0	R 0	R 0	R 0
475 WEMBEZI								
HOUSING	R 0	R 0	R 0	R 17,178	R 0	R 24,212	R 0	R 174,521
MSIG	-R 750,000	R 750,000	R 0	R 0	R 0	R 0	R 0	R 0
KWEZI DEV	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
UPGRADING	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
TOTAL	-R 9,736,953	R 9,736,953	7,355,177	R 7,372,355	7,340,440	R 7,364,651	R 0	R 174,521
GRAND TOTAL	20,396,953	10,405,413	13,170,682	17,194,393	12,279,440	R 9,194,466	R 0	R 3,102,068

SALARIES AND WAGES

The uMtshezi Municipality currently employs 293 permanent employees and has 69 contract employees. There are also 17 councillors. Below is a summary of the salaries and wages payments for the year ended 30 June 2011:

ANNUAL BONUS	3,181,250.67
HOUSING SUBSIDY	326,580.23
LABOUR METER READING	
LEAVE PAY PROVISION	-8,734.18
OFFICE ALLOWANCE	
OTHER ALLOWANCES	523,332.72
PERFORMANCE BONUSES	
REDEMPTION OF LEAVE	181,304.37
RELIEF PAYMENT	
SALARIES & WAGES	34,611,552.09
STANDBY & OVERTIME	1,477,172.90
VEHICLE ALLOWANCE	1,087,980.36
GROUP LIFE INSURANCE GENERAL	226,888.41
INDUSTRIAL COUNCIL LEVY	16,264.70
INSURANCE UNEMPLOYMENT	332,507.14
MEDICAL AID SCHEME	3,453,823.69
PENSION FUNDS	4,946,343.43
SUB- TOTAL SALARIES AND WAGES	50,356,266.53

REMUNERATION OF COUNCILLORS	
CELL PHONE ALLOWANCE	166,771.50
HOUSING ALLOWANCE	
MEDICAL AID SCHEME - COUNCILLORS	11,576.58
PENSION CONTRIBUTIONS - COUNCILLORS	337,475.77
PERSONAL FACILITY	
SALARIES - MEMBERS	2,352,511.15
SALARY - MAYOR	
TRAVEL ALLOWANCE	804,705.00
SUB- TOTAL COUNCILLORS REMUNERATION	3,673,040.00
TOTAL EMPLOYEE/COUNCILLORS RELATED C	54,029,306.53

Description	Mayor	Deputy Mayor	Speaker	Executive Committee Members	Ordinary Councillors	Total Councillors	Municipal Manager	Sec 57 CFO	Sec 57 Community	Total Senior Managers	Total Cost Counc, Dir. & Exco
					Councillors	Councillors	Manager				Remuneration
Salaries and Wages R'000											
Normal	352,149	441,069	182,489	153,228	1,224,679	2,353,613	897,211	527,104	372,138	1,796,453	4,150,067
Overtime	0	0	0	0	0	0	0	0	0	0	0
Contributions R'000											
Pension and Medical Aid	55,425	68,328	11,402	23,049	179,271	337,476	0	0	54,891	54,891	392,366
Allowances Other	15,215	22,801	9,723	9,880	109,152	166,772	0	0	30,890	30,890	197,662
(Performance & L/pay)	0	0	0	0	0	0	0	15,683	90,594	106,277	106,277
Allowances R'000											
Travel & Motor Car	118,311	143,028	63,017	53,020	427,330	804,705	0	130,176	128,604	258,780	1,063,485
Accommodation	0	0	0	0	0	0	0	0	80,690	80,690	80,690
Subsistence	0	2,000	0	993	0	2,993	0	0	21,403	21,403	24,395
TOTALS	541,100	677,227	266,630	240,170	1,940,431	3,665,558	897,211	672,963	779,209	2,349,383	6,014,941

Less
Pension Total Earnings 337,475.77
3,328,082.43

CONCLUSION

The Financial Performance of the Municipality has been favourable for the current financial year. Working closely with the community, council, management, internal audit, the audit committee and the external auditors, we will improve greatly and overcome many of the challenges.

PLANNING, ECONOMIC AND COMMUNITY SERVICES DEPARTMENT

1. PRIMARY HEALTH CARE

Statistics - Clinic attendance at Connor Street Clinic:

Under 5's	3218
Over 5's	13992
Tuberculosis	754
TB Suspect	221
Tested Positive	9
Family Planning	2613
Pap Smears	132
Ante-Natal	1083
Immunisation	838
Chronics	1917
PMTCT (Prevention of Mother to Child Transmission) - Total Tested	224
PMTCT Positive	69
PCR (Blood test for HIV - babies)	99
Voluntary Counselling & Testing - Total	853
Voluntary Counselling & Testing - Positive	211

Staff

- The process in preparation for the take over of the clinics by the Department of health was started at the beginning of 2011. Meetings were attended where indication was given of processes and procedures on what is required to ensure smooth take over of the clinics by Department of Health.
- The cramped working environment at the Connor Street Clinic makes complying with the National Care Standards extremely difficult.

Training

- Professional Nurse D. Tredoux successfully completed her Primary Health Diploma with honours. Staff also attended several short courses and training workshops. Sister T. Zakwe attended the initiating of ARV Course.

Campaigns

- The HCT Campaign was completed in June 2011 but has been extended. This campaign was initiated by President Zuma to encourage all citizens to know their HIV status.
- A Campaign was conducted by Connor Street for all municipal staff as well as for employees of local businesses.
- The Clinic's ARV numbers have gained rapidly with clients being down referred EPH ARV clinic.

Statistics - Clinic attendance at Fordeville Clinic:

Under 5's	4034
Over 5's	18697
Tuberculosis	451
TB Suspect	285
Tested Positive	14
Family Planning	2205
Pap Smears	251
Ante-Natal	888
Immunisation	1434
Chronics	6454
PMTCT (Prevention of Mother to Child Transmission) - Total Tested	193
PMTCT Positive	62
PCR (Blood test for HIV - babies)	82
Voluntary Counselling & Testing - Total	1175
Voluntary Counselling & Testing - Positive	397
CD4	528
Mental Health	92

Training

- Sister S. Mackenzie attended the following training/courses: Nursing Administration course; IMCI course; Diabetic workshop.
- Sister S. Ramthol attended the following training/courses: Nursing Administration course; statistics course.
- HIV Councillor H. Lukwazi attended an HIV Workshop.
- Sister P. Hodgson attended the following training/courses: 3 day EPI course; HIV Counselling course; Asthma workshop; IMCI course; Road to Health chart review; TB & new ANC registers workshop; TB and Family Planning workshop as part of PHC.

Campaigns

- Sister Hodgson and Senior Nurse Donnelly gave an educational talk on teenage pregnancy Drakensberg Secondary.
- An antenatal survey was carried out at the Forderville Clinic. A target of 20 was set and reached as 20 women participated.
- Sister Ramthol and Senior Nurse Donnelly presented an educational talk at the M. L. Sultan School on teenage pregnancy with the target group being Grade 6 & 7.

2. WASTE / CLEANSING

Estcourt

- Approximately 10 000 Tons of Waste was disposed of during the course of the year.
- The department experienced major disruptions to the refuse removal and collection service and operations at the landfill site, due to shortage of vehicles as well as vehicle breakdowns. With the landfill compactor (NE 3613) being beyond repair, the department was forced to revert to hiring of bulldozers at excessive fees to assist. The purchase of a new D6N dozer went out on tender and the machine was due for delivery in June- July 2011 but this did not transpire. The delay was the fault of the manufacturer and the successful tenderer hired a machine at their cost to assist us until such time that our machine was ready for delivery. A continual pile / backlog of waste was the norm at the landfill site, as at times the hired dozer would break down and be out of commission for long periods. Major backlog also occurred due to continuous breakdown of refuse compactor and skiploader causing residential and commercial refuse not being removed as per daily schedules. Our refuse team made use of their vehicles and trailers where possible to assist in refuse collection. The purchase of a skiploader truck was placed on tender and the truck was delivered in

April 2011 creating some light at the end the tunnel. The department also placed a tender to purchase a new refuse compactor that would be delivered in July 2011.

- Wembezi also experienced difficulty with waste collection as the two tractors responsible for refuse collection, broke down and 2 vehicles had to be used to try and facilitate in the waste collection for Wembezi.
- Routine street cleaning is an ongoing process. Illegal dumping throughout Estcourt 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

- 453 Loads of refuse in total were deposited at the landfill site.
- 23193 Refuse bags were used for the collection of street litter.
- The site used in Weenen for landfill, was closed down by the Department Environmental Affairs and Agriculture. Due to the fact there are no suitable vehicles to transport waste from Weenen to Estcourt, we hired the services of Natal Pak Waste in the form of two waste containers which were placed on site. Containers were transported through to Estcourt for disposal. This system was working well, but the cost factor was of a major concern as our budget was limited in respect of the hire of plant and equipment.
- Waste is still collected from Weenen and brought through to Estcourt for disposal on a weekly basis.

3. PARKS & RECREATION

- Routine grass cutting took place, as well as burning of firebreaks, servicing of tractors and various pieces of equipment where our budget permitted it.
- The development of a new park in Kwanobama has commenced. Site identification was carried out and a suitable site belonging to Council was approved. Grading and renovations commenced and the site was also fenced and grassing of the park was also completed. Three sets of playground equipment was procured and installed. Currently busy with the construction of toilet facilities and the project is due for completion at the end of 2011 with all works being done in-house.
- Difficulties were experienced with the filtration system on both swimming pools due

to their age, resulting in the Hilldene Swimming pool not opening last season leading to a loss in income. We were able to carry out maintenance on a severely restricted budget and managed to purchase two pumps. The installation of the pumps will enable the re-opening of both pools in October 2011. A bigger budget is desperately needed to carry out proper upgrade of these facilities. **No income was generated due to pump being out of commission.**

- 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 R 4633.05**
- There is also a pressing need for the construction of a swimming pool in Wembezi. Proper fencing is also required for the swimming pools as there is a high risk of children drowning caused by gaining access to the pools after hours by creating holes in the wire fencing.
- The caravan park was busy this season with several contractors visiting our park. **The income generated was in the region of R 288744.34.**
- Routine maintenance of sports fields was carried out. Problems are experienced with regards to Lambert Park. It has been found that the fields are being over utilised by soccer teams training.
- Kerbing of pathways at Bank Road cemetery was carried out as well as the preparation of a new road to the same cemetery.

4. BURIAL STATISTICS

Estcourt		Wembezi		Weenen		Kwanobamba	
Adults	31	Adults	113	Adults	11	Adults	15
Children	2	Children	16	Children	2	Children	1

5. PLANNING

DEVELOPMENT APPLICATIONS

Applications outstanding	Category	Number of new application	Time taken to approve	Total value of applications	Applications outstanding

ng 1 July 2010		s received 2010/2011		received Rand	ng 30 June 2011
	Rezoning	8	3 months	Unknown	1
	Subdivision/Consolidation	3	0	Unknown	3
	Special Consent	1	2 months	Unknown	0
	Removal of Restrictions	2	2 months	Unknown	1
	Closure of Public Roads / Open Spaces	0	0	Unknown	0
	TOTALS	14			5

- In May 2010, a new Planning Act, the KwaZulu- Natal Planning and Development Act No. 06 of 2008 came into effect and there was a transfer of powers and functions from the provincial department to the municipalities. Since then, there has been continuous training on the implementation of this legislation which takes place on monthly basis. There is also a newly established Provincial Planners Forum which sits once in a quarter and so far we have attended two forums. In addition, we have sub-committee meetings which sit monthly to consider development applications. The Planning section also assesses and provides comments on building plans applications. A detailed report on the number of the approved building plans will be provided by the BCO. General Administration Work: Assess completeness of applications, issue confirmation letters, and prepare public notices and newspaper adverts as required by the Act. Attend to public queries and Deal with contraventions.

6. BUILDING CONTROL

- This section continues to carry out the functions of
 - Building Control
 - Building Inspectorate
 - Law enforcement
- This office now consists of Building Control Officer and Building Inspector. The function of Senior Building inspector and Law Enforcement Officer is also carried out by the Building Control Officer. This office continues to assist Council in fulfilling its statutory obligations in the monitoring and enforcement of Building Standards and regulations in the area. Much time is spent in consultation with applicants, vetting of applications and additional site inspection work to assess compliance. The department has to be constantly updated with current technology and legislation; basic principles of building constructions, trades, practices, plant and

equipment to ensure that building standards and methods are maintained.

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

- Plans submitted and buildings completed during the year;

DESCRIPTION	QTY	AREA M ²	VALUE
Residential buildings completed exceeding 80 ²	19	3392	11,275 494.00
Townhouses	16	2257	8,746 137.00
Offices / commercial space	1	734	7,000 000.00
Shopping space	7	1176	5,657 618.00
Industrial and warehouse space & workshops	11	4626	36,433 339.00
Ablutions	1	75	273 900.00
Buildings owned by public sector	1	61	218 685.00
Alterations and additions to residential buildings	77	6057	23,321 138.00
TOTAL VALUE			R92,926 311.00

- During the course of the year many meetings were attended. The department carried out 1416 site inspections and attended to 2160 queries from the public. The past year has been very demanding as the needs of the property owners are increasing as the town develops.
- The Municipality employed a building inspector in November 2010 to assist with the workload. This has helped with the workload.
- The new Planning and Development Act 2010 and the increasing complexity of the Building Regulations coupled with other developmental legislation are very challenging.
- New National Building Regulations and Building standards Act 1977 (Act 103 of 1977) are being added and SABS National Standards relating to SANS 10400 have been amended. The National Regulator For Compulsory Specifications Act 2008 (Act 5 of 2008) will become law. New Legislation such as the Development and Planning Act 2010 and Building Regulations has made the Building Control section even more challenging. However we continue to strive to provide efficient service delivery in this department.

7. HOUSING SECTION:

➤ ENHANCED EXTENDED DISCOUNT BENEFIT SCHEME

We have received 199 transfers for Wembezi in December 2010 and another 15 title deeds for Colita on April 2011 and the balance will be completed shortly.

The community has been quering and due to the province appointing the consultants we do not have any control on the matter. All relevant information has been provided to the consultants. E-mail received from the province not to issue any further Title Deeds as this was going to be done by the MEC in April 2011.

We are still busy with the Disputes for Wembezi A Section.

➤ WEMBEZI A SECTION LOW COST HOUSING

The matter has now been referred to arbitration as final payment of almost R1,9million has been with- held due to poor workmanship, transfers outstanding, boundary pegs not shown to beneficiaries. A technical report was received from Sivest in March 2011 detailing the poor workmanship on this project. The MEC met with the beneficiaries of this project in April 2011 and advised them that she was not

happy with the workmanship as well and that the NHBRC will conduct a detailed assessment. She further stated that the beneficiaries will be relocated to alternate sites with new houses.

The Council forwarded proposals of alternate sites and awaiting a response from the MEC. The arbitration hearing is set for 10-12 July 2011 in Pietermaritzburg. We are still busy with attorneys Stowell & Co to finalize the transfers.

➤ **WEMBEZ C SECTION – PHASE 2**

The project is at close out stage and there are some concerns regarding the slabs which is been investigated DoHS.

➤ **COLITA HOUSING PROJECT**

The Department has advised that there are still funds available on this project to sort out the transfer. A letter has been forwarded to the Department requesting their written authority to appoint another attorney to proceed with these transfers. The project is at close out stage.

➤ **KWANOBAMBA PHASE 2**

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. This project has been enrolled for rectification and the NHBRC is busy with their investigations for this.

➤ **NEW PROJECTS:**

• **RENSBERGDRIFT HOUSING DEVELOPMENT**

We have received Conditional Approval for this project from the DoHS amounting to approximately R72 million. We are now busy with the Dept of Rural Development with the acquisition of the land and have received a response together with timeframes for the acquisition of this property. The IA has been requested to commence with his tranche 1 studies. Development programme has also been submitted to DoHS.

- **MIMOSA DALE PHASE 2**

Project Linked Subsidy Application was submitted to DoHS on 28 October 2010 and an acknowledgment letter was received from the department on 2 November 2010 and responded to. There has been concerns raised by the DoHS regarding the appointment of the Implementing Agent which is delaying the project. Letter has forwarded to DoHS requesting a way forward.

- **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.

There are insufficient bulks at Chievley 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.

- **NLAWE, 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 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. Other information has been requested by the Department which has also been forwarded to them as well. Constant reminders are being sent to the Dept to authorize the Council to appoint an IA but no response has been received to date.

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. Status quo for Nlawe and Engodini remains the same from April 2010.

- **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.

- **CORNFIELDS**

District has confirmed 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. As soon as all documents are received an application will be forwarded to DoHS for permission to advertise this project to appoint an Implementing Agent.

- **OWL AND ELEPHANT**

District has confirmed that there are sufficient Bulks in this area. An application has been submitted to the Department 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. Constant reminders are being sent to the Dept to authorize the Council to appoint an IA but no response has been received.

Further information has been requested by the Department which has been forwarded to them. We have sent a further letter requesting their permission to advertise this project and awaiting their response.

- **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.

- **PAAPKUILSFONTEIN**

In loco inspections of these areas were done regarding bulk services and a subsequent meeting was held with district. District has confirmed that there are sufficient Bulks in this area for a low income development. A letter has been forwarded to the Department of Rural Development requesting their commitment to purchase this property which has been received from them.

However, the MEC intends relocating the beneficiaries from Wembezi A Section and this area has been identified for this purpose. Concern is that this is an urban area and district has authorized VIPs. This cannot be done. Kiron Homes have offered this project back to Council for an amount of R 4,5million which is unreasonable. 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 pump house has to be upgraded and at present they do not have sufficient funds. Other funders will be approached to assist after completion of a Business Plan.

- **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.

➤ **OTHER HOUSING MATTERS**

- **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 are following the procedures as outlined in the MFMA. We have also engaged COGTA on the sales of vacant land as required by Notice No1369.

8. DEVELOPMENT

- Rensbergdrift Low Income Housing – 1000 units. Completion date cannot be estimated at this stage. Conditional approval granted by KZN Human Settlements for construction of 1000 units. Land Affairs has been engaged regarding the Purchase of Land from the owners. Ward 4
- Mimosadale Low Income Housing – 1000 units, completion date cannot be estimated at this stage. Application submitted but not yet approved. Ward 3
- Wembezi A Section Low Income Housing – 515 units, completion date depends on transfers. Matter with the attorneys regarding poor workmanship, transfers, payments and close out. Ward 1 and 2
- Msobotshezi Low Income Housing – 500, date cannot be estimated at this stage. A request has been sent to KZN Housing for the project to be advertised for the appointment of an Implementing Agent. The municipality is awaiting the directive from KZN Housing.
- Owl and Elephant Low Income Housing – 500, completion date cannot be estimated at this stage. A request has been sent to KZN Housing for the project to be advertised for the appointment of an Implementing Agent. The municipality is awaiting the directive from KZN Housing.
- Enhanced Extended Discount Benefit Scheme. Transfer of Former Government Units (four room houses) to occupants in terms of a government subsidy. Completion date end of July 2011. Transfer of the Wembezi Stork is complete and 15 title deeds have been received by the municipality for Colita. The rest of the title deeds for Colita and Forderville should be received by end June 2011. ward 1,2 and 4
- Local Economic Development - Umtshezi, Mpofana & Umgeni Municipalities Midlands Development Agency. An initiative by Umngeni, Mpofana and Umtshezi Municipalities for a formulation of a Development Agency that will assist in the stimulation of development and economy in the three municipalities. The project is on going.
Pre – Establishment:
The Pre-Establishment funding was approved accordingly and agreements have been signed by all the three municipalities. The bank account has been opened accordingly and it will now be submitted to the relevant MEC. The advert calling for applications for the appointment of the Board of Directors was re-advertised in the Natal Witness in March 2011 due to poor response. The driver of the agency

is currently profiling all projects to be funded by the agency for submission to the relevant MEC. The Agency has received Applications for the appointment of the Board of Directors and the process will be completed In July 2011.

- Local Economic Development - The proposed application for Establishment of an LED Unit. Establishment of an LED Unit within the municipality. Completion date depends on funding conditions. The Development Manager is facilitating a meeting with the driver of the Development Agency. The application to the relevant department should be ready by end July 2011.

- Brewitt Park Housing Development Phase Two. Development of 300, middle to high income units. To be determined by the Purchase of units but the project is estimated at 5 years. Ntokozweni developers have been appointed for the development of Middle to High Income Units and the Deed of Sale has been signed between both parties. The developer has submitted buildings plans for approval. The developer has submitted the development to the banks for funding and the municipality will advised accordingly of the outcome. The project is estimated to kick off before end of July 2011. Ward 6
- Development - Kwezi Hostel Upgrade. Upgrading of the Kwezi Hostel by the developing 1000 Family Units. To be determined by NHBC Report. The project has been delayed due to the fact that MEC for KZN Human Settlements has not finalized the approval of the Stabilization and the Overall Funding Applications. The municipality has been advised that the department has since appointed NHBC to conduct a study that will confirm the accurateness of the municipality's Funding Application since this is per the guide lines.

- It should be noted that the municipality has utilized more the avenues to speed up the approval process including the request of intervention by the MEC for COGTA and KZN Human Settlements. A meeting was held between KZN Human Settlements Head of Department and KZN234 where it was that the Stabilization will be done internally by the department and that the approval of the overall funding will await the investigation of the NHBRC as appointed by the department.

Further to that, a workshop was held in Durban with the Head of Department of KZN Human Settlements where the MEC advised as per the above report that the matter has been handed over to NHBC.

9. IDP

- Council adopted the final IDP 2010/2011 after an extensive public participation process, which included Decentralized Mayoral Imbizos, Representative forum meetings, Steering committee meetings, meetings with Sector departments, Stakeholder meetings and advertisements in the local media. The development of the IDP 2010/2011 was in full compliance with the Local Government legislative framework and in terms of the IDP Process Plan and the action plan as indicated in Annexure A. Copies of the IDP 2010/2011 were sent to the office of the MEC for Co-Operative Governance and Traditional Affairs on 25 June 2011 and copies were also delivered to the stakeholders and made available to the public at the municipal offices and buildings. The document was thoroughly analyzed by Interdepartmental Stakeholder Group that met in Durban from 29/03/10 to 01/04/2010. The Interdepartmental Stakeholders Committee commended Umtshezi Municipality on the credibility of our IDP.

10. FIRE AND SAFETY

FIRE STATS AND YEARLY REPORT FOR JULY 2010 TO JULY 2011

CATEGORIES OF FIRES

Residential	Dwellings	19
	Outbuildings : Domestic	2
	Flats	
	Hotels & Boarding Houses	
	Shack	1
Institutional	Hospitals & Nursing Homes	
	Educational Establishments	
Public Assembly	Churches & Halls	
	Cinemas & Theatres	
	Museums, Libraries & Art Galleries	
	Night Clubs & Dance Halls	
Commercial	Restaurants & Cafes	

	Offices	
	Shops	6
	Department Stores	
	Garages & Workshops	
Storage	Warehouses	
	Outside Storage	
Industry	Furniture	
	Plastics & Rubber	
	Textile	
	Printing	
	Milling	
	Petroleum	
	Food & Drink	
	Paper & Packaging	
	Chemical	
	Metal	
	Electronics	
	Manufacturing process	4
	Miscellaneous	1
Transport	Cars & Motorcycles	4
	Buses & Taxi's	4
	Heavy Goods Vehicles	14
	Ships	
	Trains	
	Aircraft	1
	Others	
Other	Rubbish Grass & Bush	197
	Plantations & Forests	
	Crops	
	Miscellaneous / hoax call	3
	Electric Pole / Box Fire	4
	Combination fires (buildings, vehicles, grass, etc)	3
		263

FATALITIES AND INJURIES AT FIRES (Not Recorded)

Animals	Injured	
	Rescued	
	Fatal	
Children	Injured	
	Rescued	
	Fatal	
Adults	Injured	3
	Rescued	
	Fatal	

SERIOUS FIRE INCIDENTS ATTENDED

02/07/10	17h50	Beachwood Rd	Shack well alight
03/07/10	22h30	Harding St	Fire in ceiling
14/07/10	13h15	132 Albert St	Vehicles well alight
19/07/10	00h00	Paapkuilsfontein	Shack was well alight
19/07/10	07h30	Victoria St	Building well alight
23/07/10	18h00	Industrial Rd	Scrap vehicle well alight
06/08/10	17h25	N3-5 NB	Truck Fire
14/08/10	00h00	Jackie's Abattoir	Building Fire
14/08/10	17h00	De Val Drive	Building Fire
15/08/10	00h00	Masonite	Industrial Fire
15/08/10	03h45	N3-5 MB 45,6	Truck Fire
28/08/10	18h00	Albert Street CBD	Shop Fire
31/08/10	10h00	Wembezi C-Section	Building Fire
31/08/10	16h50	Selman's Arcade CBD	Shop Fire
09/10/10	08h00	7 De Val Drive	Building Fire
10/10/10	12h15	N3-5 MB 30,2N	Truck Fire
28/10/10	18h00	Harding Street CBD	Shop Fire
29/10/10	02h35	N3 Midway	Truck Fire
31/10/10	16h10	1412 Mahashini	Building Fire

		Wembezi	
06/11/10	07h20	N3-5 MB 5,6S	Truck Fire
14/01/11	04h45	N3-5 MB 2,2S	Truck Fire
28/01/11	05h45	C-Section Wembezi	Building Fire
01/03/11	22h45	N3-5 MB 6,0S	Truck Fire

**B. RESCUE
CATEGORIES OF RESCUE**

Motor Vehicle Accident (No Persons Trapped)	20
Motor Vehicle Accident (With Persons Trapped)	19
Industrial Rescue	
Medical Emergency	1
Other Rescue	1
	41

FATALITIES AND INJURIES AT RESCUES

Animals	Injured	
	Rescued	10
	Fatal	
Children	Injured	
	Rescued	
	Fatal	2
Adults	Injured	78
	Rescued	5
	Fatal	27

SERIOUS RESCUE INCIDENTS ATTENDED

15/07/10	07h30	Harry Millar Rd	LMVA
19/07/10	22h30	N3-5 M/B 27,6N	HMVC

23/07/10	22h10	N3-5S	HMVA LMVA
23/07/10	23h30	Wembezi Rd	MVA
05/08/10	12h00	N3 Ultra City	MVA
21/08/10	04h30	N3-5	HMVA
29/08/10	04h55	N3-5 MB 31,4N	HMVA
13/09/10	05h00	R103 Chivalry	MVC
17/09/10	14h10	R103 Mimosa dale	HMVC
18/09/10	18h30	Harding Street CBD	LMVA
23/09/10	19h23	N3-5 MB 5,2N	HMVA
01/10/10	23h15	Loskop Road	MVC
04/10/10	14h30	R103 Frere	MVA
07/10/10	04h50	N3-5 MB 30,2N	MVA
10/10/10	22h00	N3-5 MB 38,4N	HMVC
11/10/10	12h00	N3-5 MB 14,2N	HMVC
19/10/10	20h15	N3-5 Ultra City	MVA
23/10/10	00h00	N3-5 MB 21,6S	HMVA
14/11/10	16h40	N3-5 S	HMVA
29/11/10	07h10	Albert Street CBD	HMVC
01/12/10	00h00	N3-5 MB 17,4	HMVC
06/01/11	05h15	N3 Ultra City	MVC
20/01/11	06h15	Midway Off- Ramp	HMVC
04/02/11	01h40	Mimosa Dale	MVA
11/02/11	10h40	Good Home	Rescue Child
24/02/11	23h00	N3-5 MB 32,0N	MVC
01/03/11	22h45	N3-5 MB 6,0S	MVC
12/03/11	22h23	N3-5 MB 29,4N	MVC
15/04/11	14h15	Mimosa Dale	Suspected Child In The Drain
19/05/11	10h15	N3-5	HMVC
27/05/11	15h10	N3-5	MVC

03/06/11	16h30	R103 Chively	MVA
22/06/11	23h10	N3-5 M/B 1,2S	MVA

C. HAZARDOUS MATERIAL (HAZMAT) INCIDENTS

CATEGORIES OF HAZARDOUS MATERIAL INCIDENTS

Transportation By Road	4
Transportation By Rail	
Transportation By Air	
Industrial Process	
Other	
	11

HAZMAT INCIDENTS ATTENDED

27/11/10	13h30	Corner Street	Diesel Spillage
16/12/10	10h35	Brewitt Road	Diesel Spillage
09/12/10	18h30	Harding Street	Diesel Spillage
09/03/11	13h00	Richmond Road	Diesel Spillage
13/04/11	15h30	Alexandra Street	Diesel Spillage
30/04/11	04h35	N3-5 M/B 39,0N	Paraffin Spillage
28/06/11	10h30	Weenen Road	Diesel Spillage

D. SPECIAL SERVICES - CATEGORIES OF SPECIAL SERVICES

Standby at Public Gatherings	9
Bomb Threat / Incident	1
Removal of Trees	
Clear Road Surface	6
Spillage	3
Pumping Operations / Supply Water	32
Disaster Management Incidents	8
Removal of Bees / Wasps	57

Removal of Snake	62
Removal of Iguana	1
Fire Drills	43
Attending complaints / Warnings issued	6
Decanting	
Demonstrations	
Other	9
	237
	552

E. GENERAL

Administration

- Administration and supervision of staff was performed.
- Standby duties were carried out.
- Monthly records of fires were submitted to Fire Protection Association.
- Co-ordination of fire drills and rescue procedures.
- Maintaining all fire equipments and vehicles.
- Evacuation drills and excursions with surrounding schools.
- Attending call outs, emergency in Umtshezi Municipal Boundaries and N3 area 5
- Submitted all overtime and standby forms for payment for the fire department.

➤ During the year the following was carried out:

BUILDING PLANS & NEW BUILDING PROJECTS	<ul style="list-style-type: none"> ○ 112 Plans checked.
TRADE & LIQUOR LICENSE INSPECTIONS	<ul style="list-style-type: none"> ○ 72 Premises were inspected.
GENERAL INSPECTIONS	<ul style="list-style-type: none"> ○ 91 Premises were inspected.
PROJECTS	<ul style="list-style-type: none"> ○ Implementation of School Evacuation Procedures – Ongoing. ○ Final stages of the Umtshezi Municipality Evacuation Plan & Procedures. Waiting for MANCO presentation to present and get approval. ○ The new Community Fire Safety Bylaws is still in the process of being promulgated. ○ Registering all fuel stations within the Umtshezi Municipality's jurisdiction and enforcing compliance (COR certificates).

	<ul style="list-style-type: none"> o Drafting and compiling a fire safety presentation for presenting school and community fire safety talks (ongoing). 		
ADMINISTRATION	<ul style="list-style-type: none"> o Reports & memos. o Inspection reports. o Legislation Research. o New tariff of charges implemented. o Compiled COR renewal reminders for expired COR's. o Assisted in Drafting of the EMPLOYEE WELLNESS PROGRAMME. o Started a PP presentation for the Community Fire Safety Bylaws (to be presented to council). o Issued a permit to the Hindu Cultural Society to operate a public display of fire works. o Compiled report for Sulimons Arcade (inspections prior fire). o Compiled the Disaster Management Reports. o Made amendments to the Community Fire Safety Bylaws (fireworks). o Drafted and compiled the Evacuation Plan and Procedure for Vinco's Oil. o Compiled & issued final notice for Value Lodge. o Compiled the emergency evacuation procedure for the Rail Siding. o Submitted item to Council to adopt the Rail Siding emergency procedure. o Standardized all Fire Safety forms. o Compiled extensive report for all Islamic Schools inspected. o Copied large legislation posters and distributed within Municipal departments. o Compiled Progress report for January to April 2011. o Compiled removal of hydrant report – Uthukela District Municipality. o Drafted and implemented an evacuation plan & procedure for Hlalanathi Lodge. o Completed the evacuation plan & procedure for Forderville Clinic. o Typed the Appointment Letter for Prospectives Consultants. o Completed and submitted the Fire Safety Evaluation report to the HR department. o Completed the urgent stats update for the emergency services yearbook. o General Admin & Filing. o POE Filing. o Accounts calculated as per the Accounts Processed section. o Compliance & Non – Compliance letters issued. o 12 x Certificates of Registration for the handling, storage & use of flammable substances were issued or renewed. o Drafting and compiling a fire safety presentation for presenting school and community fire safety talks (ongoing). 		
ACCOUNTS PROCESSED	MONTH:	YEAR:	ACCOUNT VALUE:
	July	2010	R3229,60
	August	2010	R11 212,10
	September	2010	R9271,62
	October	2010	R40 485,96
	November	2010	R7034,02
	December	2010	R5701,03
	January	2011	R18069,34
	February	2011	R4789,82
	March	2011	R15842,46
	April	2011	R15098,00
	May	2011	R4998,10

	June	2011	R2322,18
	PROJECTED TOTAL INCOME:		R138 054, 23
MEETINGS ATTENDED	o 40		
GENERAL	<ul style="list-style-type: none"> o Attended 12 Emergency calls. o Attended 7 Complaints. o Standby Duties at functions – 3 o N3TC Easter Drive - Delivered teddy bears to kids at Estcourt Hospital. o Worked in PECS reception – 20/08/10. o Worked in PECS reception – 20, 26/04/11. o Worked in PECS Reception – 23/06/11. o Worked in PECS Reception – 24/06/11. o Clinic – relocated the two fire extinguishers to easy accessible locations and installed all required evacuation signage. o Researched legislation – Electrical installations within bunded areas. o Measured evacuation distances for main buildings evacuation presentation. o Presented Fire Safety Lectures to 3 groups of learners from ML Sultan. o Formulated and implemented the evacuation plans & procedures for the Connor St Clinic. o 26 Days Leave. o 25 Days Sick Leave. 		
COMMENTS	<p>There is still a long way to go before the fire safety section will be able to operate effectively and efficiently as the challenges that lie ahead need to be addressed such as the promulgation of new bylaws, the evaluation process on the post level of a fire safety officer, mileage restrictions as most of the duties are out on the field and not in the office (inspections), certain SANS codes of practice and documentation need to be purchased and a charge system needs to be implemented in order to charge or prosecute persons who do not comply with the requirements of the fire safety officer. The Programme that was created in order for the fire safety officer to visit and inspect all industry in the Umtshezi district annually to ensure full and continuous compliance with applicable legislation has bared positive results for fire safety. All fuel stations in and around Estcourt were inspected and Fire Safety legislation was enforced before issuing Certificates of Registrations. This was never achieved in the past and it was a great achievement that all the fuel stations now have full compliance and registration with the Fire Department.</p>		

CIVIL ENGINEERING IN RESPECT ENGINEERING SERVICES

1. PURPOSE OF REPORT

- 1.1 Is to provide performance records of the Civil Engineering Department works throughout the 2010/2011 financial year.
- 1.2 Is to state nature of challenges and to detail the plans in place to deal with the challenges.

2. BACKGROUND

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

- 2.1 Challenges on the Municipal cash-flows were experienced during the 2010/2011 financial year which made it difficult for the operating budget to be expended uniformly during the financial year.
- 2.2 Council funded projects were minor due to the fact that the budget was limited.
Challenges were also faced in timely procurement of materials.
- 2.3 Another serious challenge has been the breakdown of plants (Graders, Tipper trucks, Rollers, TLB) for the department to execute its duties.

3. MUNICIPAL INFRASTRUCTURE GRANT FUNDED PROJECTS

- 3.1 Basic level of service projects executed in the 2010/2011 financial year ran very smoothly and we managed to meet the 100% expenditure as required in the Dora.

4. **PROJECTS INITIATED AND SOME COMPLETED DURING YEAR**

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

- A) Nkaseni regravelling/Rehabilitation: 100% Complete
- B) Ganahoek access road rehabilitation: 100%Complete
- C) Msobotsheni Access road rehabilitation: 80%Complete
- D) Sphethwini Access road rehabilitation: 70%Complete
- E) Chievely Access road rehabilitation : 50%Complete.
- F)Brymbella access road rehabilitation: 100%Complete.
- G)Gomba Gravel road rehabilitation 100% Complete.

5. **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:

- Break down of plant, the Municipality is in a process of securing new plant i.e roller during the 2011/2012 financial year.

6. **CONCLUSION**

2010/2011 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 Nestle is planning to pump billion of rands in improving the existing infrastructure.

ELECTRICAL ENGINEERING DEPARTMENT

1) ELECTRICITY DEPARTMENT WORK PROGRESS & CHALLENGES

1.1) Sub 39, Maintenance of 11 Kv Circuit Breakers as well as 33 Kv Circuit Breakers

After successful completion of the one leg, it was discovered that the 33 kv Circuit Breakers at Sub 57 had problems tripping. This posed serious risk during fault, as the transformer would explode prior to tripping occurring. It also meant that the "Outage on the one leg that Eskom requested was not going to be possible.

With the serious threat of complete town outage looming, the 33 kv circuit breaker was repaired by the Electricity Department located the fault and subsequently repaired it averting any major outage.

The lack of tools and proper materials led me to request emergency help from Knight Engineering to remove the Oil tank, Estcourt Wagon Works supplied tools and a chain block prorate, so that the emergency situation could be rectified.

1.2) Sub 6, Repairs to damaged cables

A new 1 Mva Transformer was installed in the Substation, in addition to the existing transformers. The work is in progress, as materials and equipment needed to be procured and installed.

1.3) Sub 13, Contract Work Increase of Supply

The services of Midlands Electrical were engaged via the Tender process to install 11 Kv Cable from Caravan Park to Nestle.

The Tender process was seriously delayed and hence Midlands had started the project about 6 months after the tender had closed. There were a few challenges as the main water pipe was discovered in the planned route, as well as Poor Corporation from Telkom in releasing way leaves to the contractor to commence certain sections.

Cable joint holes were left opened for staff to do. Till present that cable portion and first joint has not been tested.

1.4) Wembezi C & D Informal Areas:

The report submitted by I4Z Consultant was studied and subsequently meetings with Eskom were scheduled and the outcome resulted in matters that will be brought to Council for decision. It was discussed that due to the capacity being reached, Eskom proposed 3 options to the Umtshezi Municipality and requested that the decision be communicated to them before the end of October 2011,

so that their Council can effect the necessary arrangements.

1.5 Streetlight Tender & Streetlight Repairs

The Concern with slow turn around time with tenders is becoming a serious concern; evidence of this is the fact that the Tender for Supply and Delivery of Streetlights has only concluded almost a year after the tender was closed. In normal instance the delay will discredit and tenders and as such be void and subsequently will need to be re-tendered, however to date no objection from the Tenders have been received.

This delay has subsequently resulted in delays in the upgrade projects in Wembezi as had been scheduled in the Capital Budget. This means that the Budget amounts for Capital is unspent and will cause Financial implications to the Departmental Budgets.

The situation with streetlights in Umtshezi has become an eye opener to Management, Council and the community. This is due to the work not being done due to the following reasons, the bucket truck was impounded due to an expired license, on testing it was discovered that the vehicle was unroadworthy and as such needed to be repaired prior to it being licensed and released.

The new bucket truck was finally procured, but could not be used as the staff needed to undergo a certified training course for safety and regulatory reasons

Streetlight inspections have been done and

Streets that have more than one streetlight out needed to be attended to, but this was not done, resulting in a list of street that have no streetlights, the one reason for entire streets being out could be due to cable faults but has not been investigated properly.

1.6) Staff Issues, Housekeeping, Stores Items, Tools & Equipment, Lv Box Maintenance, Mv & Hv Planned work

In terms of the above, it must be reported that poor workmanship, lack of supervision, failure to comply with instructions, incompetence and lack of communication are serious issues that are threatening service delivery, safety, staff moral and quality work being effected.

Lack of maintenance in the substations, Lv boxes and streetlights is contradicting all measure to upgrade the system as it cannot guarantee that any upgrades will be effective should there be a failure due to no maintenance.

1.7) Staff Compliment and performance:

Staff members are being prepped for trade test, while some are currently performing tasks that are overlapping or that the staff do not have job descriptions due to insufficient staff in the Administration part.

Crucial Posts:

- 1) Director Technical Services: Filled but does not possess Government Certificate of Competency as Electrical Engineer
- 2) Senior Manager Planning: Advertised but in progress of short listing
- 3) Senior Manager Development: Advertised but in progress of short listing
- 4) Executive Secretary: To be advertised, urgently needed in support to new Director
- 5) Administrative Assistant: To be advertised, urgently required
- 6) Engineering Technicians: To be advertised, urgently required, in addition to existing post
- 7) Technical Assistants: To be advertised, urgently required
- 8) Supply Chain Clerk: To be advertised, urgently required
- 9) Electricians: 3 Posts – To be available for 3 staff members doing trade test prep

Planning:

- 1) 33 Kv Circuit Breaker Maintenance – Sub 39 and Sub 57
- 2) Protection upgrade – Bucholtz Replacement in Sub 39, Relay upgrade
- 3) Sub 6 – Lv Circuit Upgrade
- 4) Sub 13 – Cable installation and panel upgrade
- 5) Sub 39 & Sub 57 – Quality of Supply Monitoring
- 6) Ripple Control Resurrection
- 7) Drawing Program update
- 8) Substation Maintenance
- 9) Streetlight Maintenance
- 10) Lv Box Maintenance
- 11) Kiosk & Minisub Maintenance
- 12) Maintenance Record Updates
- 13) Records and Planning updates
- 14) Asset Management
- 15) New Connection
- 16) Bulk Account Metering Updates
- 17) Scada System Installation
- 18) Town Planning and GIS
- 19) D Forms Nersa
- 20) IDP Statistics and Updates

As can be seen from the above, there is a lot of work that needs to be done

To keep Umtshezi's lights on serious, qualified, consistent and committed staff are required to perform these tasks.

Safety needs to be taken more seriously as staff are not working according to proper safety standards, for this purpose Management needs to send all staff for safety training and initiate disciplinary measure to ensure total conformance.

All stats and information is true and as accurate as I can possibly report.