



uMngeni Municipality Annual Report 2014/2015



people centred development



UMNGENI MUNICIPALITY (KZ222)
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

The Annual Report is presented in terms of the Municipal Finance Management Act,
Act No. 56 of 2003. Section 1.7.
Table 6 of this report presents the statutory Annual Report process and timelines to be followed.

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Mayor's Foreword and Executive Summary

for the year ended 30 June 2015

Component A: Mayor's Foreword



Councillor MP Myeni
Her Worship the Mayor

The guideline, the format and the content of the Annual Report is largely prescribed by Section 46 of the Local Government: Municipal Systems Act (No: 32 of 2000) and Sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act (No: 56 of 2003).

The aforementioned legislations compel the Municipality to prepare an Annual Report for each financial year and for the Mayor to table such a report in Council within seven months after the end of each financial year.

The responsibility we have as Council is one of honour as we have been tasked by the electorate to provide our communities with quality, responsive and accountable service delivery as well as development that is beneficial to our communities.

The responsibilities conferred upon us by the electorate is not a task that we have taken lightly as this Council. We have leapt into the role conscious of the fact that our communities deserve from us our utmost dedication to each task, frugal accountability on expenditure as we strive to improve and accelerate service delivery.

The apex of our oversight role as this Council has been accountability. This has been evident in the manner with which we have assessed, interrogated and approved expenditures on matters set to advance the needs of our communities.

Presenting the 2014/2015 Annual Report, in it, uMngeni Municipality sets out the performance highlights and financial management.

This timely, thorough and transparent reporting of the highlights and challenges experienced is intended to give all the people of uMngeni, our colleagues in the higher spheres of government, current and potential investors insight into our approach to governance and service delivery.

The 2014/2015 Annual Report is a culmination of the implementation of the Council's adopted Integrated Development Plan (IDP), Budget and Service Delivery and Budget Implementation Plan (SDBIP) for the financial year under review. In essence, the report is an account of uMngeni Municipality's achievements, and as with any measuring tool, it also assists in identifying our successes and challenges.

This report is therefore aimed at attesting to the collective efforts of the administrative and political arms of the municipality to progressively address the expectations of our people.

Of course there remain still the triple challenges of poverty, unemployment and inequality that the municipality has to take into account when delivering services and this has to be balanced with distributing services equally to all communities under uMngeni.

Moreover there is the historical challenge of underdevelopment, intermittent maintenance of our infrastructure that the municipality's political and administrative arms are committed to overcoming.

Through innovation and unwavering commitment, the municipality certainly rings true the notion that 'development is not an event but a process'. This requires multiple resources and effective leadership. As the municipality we are certain that the measures we have put in place to address these challenges will bear fruit sooner than anticipated.

We remain committed and steadfast as Council and administration in realizing our vision of making our service delivery strides "people centred" and enhance development in uMngeni that will yield positive spin-offs for the benefit of our communities.



Councillor MP Myeni
Her Worship the Mayor

Mayor's Foreword and Executive Summary (continued)



for the year ended 30 June 2015

Component B: Acting Municipal Manager's Overview



Mr SG Simpson
Acting Municipal Manager

The year under review signified a turning point for the municipality in a number of areas of performance, the finance section received great support from the Treasury unit of the municipal support. The output in this regard was demonstrated when the unit took full control of the finalization of the Annual Financial Statements, consolidated the performance report and the governance reports for audit purposes, without any assistance from Treasury or consultants. This signifies the coming of age of the municipality and the self-confidence and self-reliance being built to take the municipality to the next levels.

This confidence is also touching the other units and if they all work in unison the goal of a clean audit will be realized much sooner. The financial oversight played by the Council in giving direction and guidance to the management of the finances went a long way to ensure stability and sustainability of the municipal finances. The overall service delivery performance of the municipality was characterized by both the achievements and challenges.

SERVICE DELIVERY PROGRESS

There were a number of areas where remarkable achievement was achieved, like the planning unit. The promulgation of the new legislation the Spatial Planning and Land use Management Act (Act 16 of 2014) SPLUMA, the shared services function led by uMngeni Municipality saw the facilitation of the implementation of the new act. The municipal team facilitated the finalization of the Draft Joint Municipal Planning Tribunal Business Plan and the

establishment of the Joint Municipal Planning Board. This also culminated in the development of the SPLUMA by-Laws, the recruitment of the members of the Joint Municipal Planning Tribunal.

The growing number of housing and business development in the municipality indicated the growth of the local economy and the turning phase of the municipality which is now attracting the high end and middle income home owners who plan to retire in the municipality. This signifies the increase in the projected revenue in the coming years.

The setting up of the disaster management centre and the development of the strategy to deal with disasters and compliance with the requirements of the Disaster management Act.

Long term engagements with the Department of Human Settlements has finally yielded some positive outcomes as it finally unlocked the implementation of the five projects including the resolution of the old Khayelisha projects that has been held by the Environmental Impact Assessment (EIA) challenges. To this end the Department has given the municipality the go ahead to appoint implementing agents to speed up the planning and the construction of the long outstanding houses.

The roll out of the electricity meters has been on going and significant progress has been made in the electrification of the houses in the municipality running just above 78%. The changing national policies regarding the rectification of poorly built houses did put some brakes on the rectification plans for the houses that were built in the early days of the housing development

The downside to this achievement is the continued theft of electricity by known communities. A number of interventions including the campaigns to deter this scourge did not yield much positive results. This has created revenue generation challenges for the municipalities making the provision of electricity much costlier than the recovery rate. The uMngundlovu District Municipality on the other hand, as a water and sanitation authority, has made significantly good progress in the delivery of water which currently stands above 80%, and the delivery of sanitation has also been improving at a pleasing rate and it continues to improve exponentially.

The land for development purposes is a big challenge in the municipality. The bulk of the land belongs to the national and provincial departments and the remainder is in the hands of the private individuals and traditional land. Some of the challenges experienced by the municipality emanate from the poor negotiations between municipality and Ingonyama Trust Board. Significant progress has been made to access land for a number of initiative such as the taxi rank, Agripark and skills centre are being negotiated with the National and Provincial departments of Public Works. The delays in these negotiations undermines the delivery and the timing of the implementation of the projects in the Integrated Development Plan (IDP).

The biggest challenge facing the municipality is the poor roads. The improvement and maintenance of the roads is hamstrung by the inadequate budget from poor collections and non-payment for services. The potholes in the municipality requires other strategies that require adequate sums of funding. In conclusion plans are afoot to turn the situation around and to provide relief to the affected communities.

Mr SG Simpson
Acting Municipal Manager

Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2015

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

BACKGROUND DATA

VISION

"By 2030, uMngeni Municipality will be a people focused, efficient and cost effective municipality able to provide quality services and sustainable socio-economic development"

MISSION

uMngeni Municipality will ensure community participation in all projects; improve the skills of the municipal staff; ensure sound financial governance; address infrastructure needs and sustainable service and enhance economic development.

LOCALITY

uMngeni Local Municipality is one of the seven local municipalities within uMgungundlovu District Municipality (UMDM) in KwaZulu-Natal. uMngeni Municipality comprises Howick, Hilton, the World's View area, the small towns and settlements of Nottingham Road, Lidgetton West, and Lion's River, Balgowan, Fort Nottingham, Dargle, Curry's Post, Mpophomeni and a substantial amount of farmland. The Municipal area covers 1 564 square kilometers. The Municipality's Head Office is located in Howick, along the N3 (Durban to Johannesburg) within the eThekweni – Msunduzi – uMngeni Economic Development Corridor. There are three official languages that are mainly spoken in the area, being: English; Zulu; and Afrikaans.

DEMOGRAPHICS

Population¹

According to the South African 2011 census, uMngeni municipality has an estimated population of 92 710, with black Africans constituting 75%, the white population being 19.4%, 3.8% Indians and 1.5% coloureds (Statistics SA: 2013). uMngeni Municipality is made up of a mix of urban and rural communities. According to uMngeni Municipality's Integrated Development Plan (2013/2014:1), the municipality is characterised by high potential agricultural land, the primary source supporting the commercial agricultural sector with agriculture being the largest employer. The municipality's population growth rate is 2.27%. The total unemployment rate is 23.9%.

Number of households

Based on the 2011 census data (Statistics SA: 2013) there are approximately 30,490 households in the uMngeni area, with the household size of between two and three persons per house.

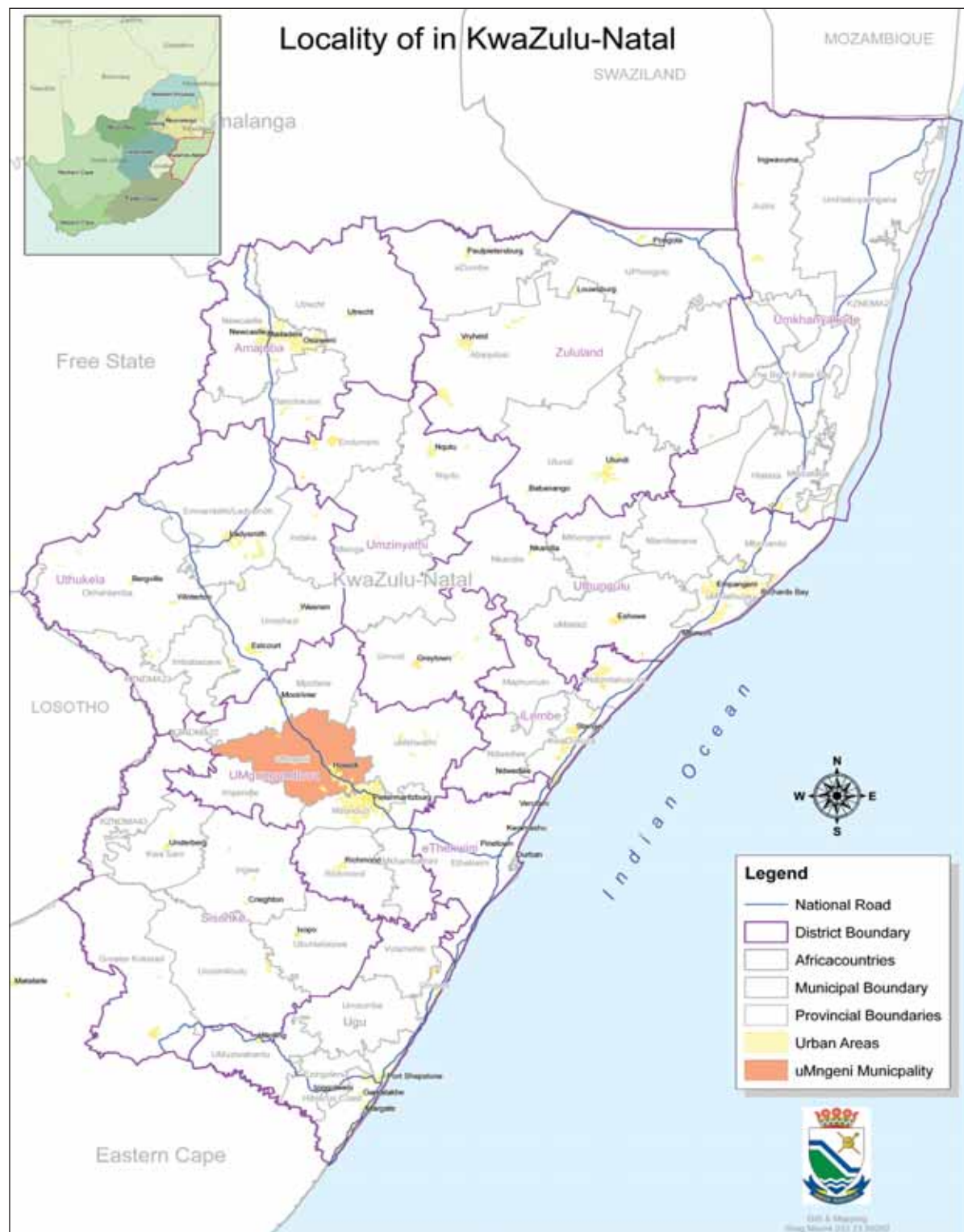
¹ Population data obtained from Statistics SA 2013



Mayor's Foreword and Executive Summary (continued)



Map 1 – Locality Map of uMngeni Municipality (Kwa-Zulu Natal)

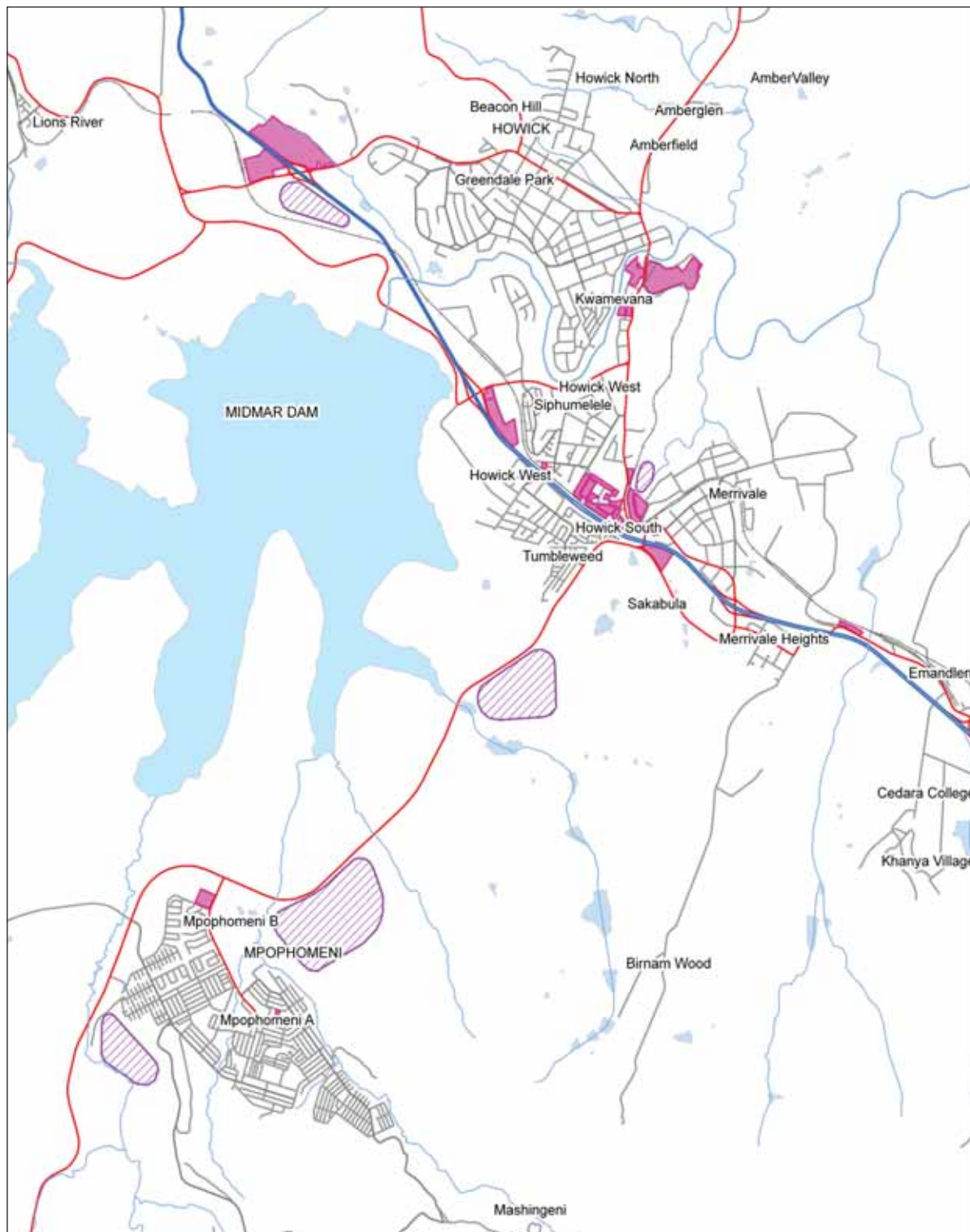


Mayor's Foreword and Executive Summary (continued)



for the year ended 30 June 2015

Map 3 – Industrial Development Areas Map



Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2015

SOCIO-ECONOMIC ANALYSIS: SERVICE DELIVERY

ACCESS TO SERVICES

uMngeni Municipality continues to strive in its efforts to ensure access to basic services through facilitation as well as direct service delivery. This includes provision of proper housing, provision of water and proper sanitation, electrification, proper road infrastructure as well as waste management.



ACCESS TO WATER AND SANITATION

According to the 2011 census report, uMngeni Municipality shows the highest proportion of the population who has access to proper sanitation, with 54,8% of households having access to a flush toilet connected to sewerage.

Chart 1: Water service level

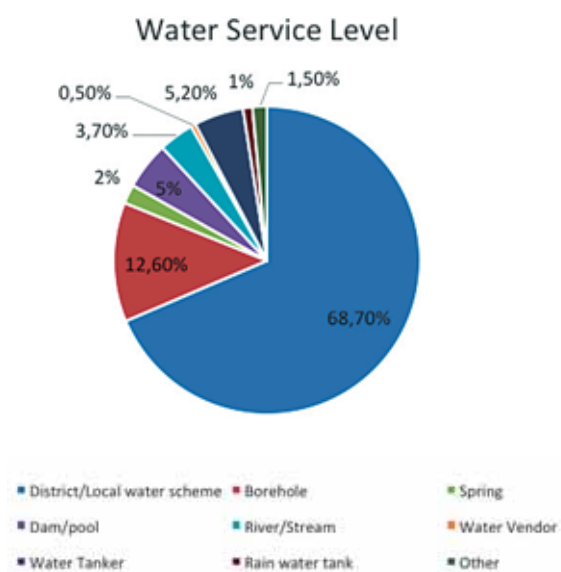


Chart 2: Toilet facilities



Mayor's Foreword and Executive Summary (continued)



for the year ended 30 June 2015



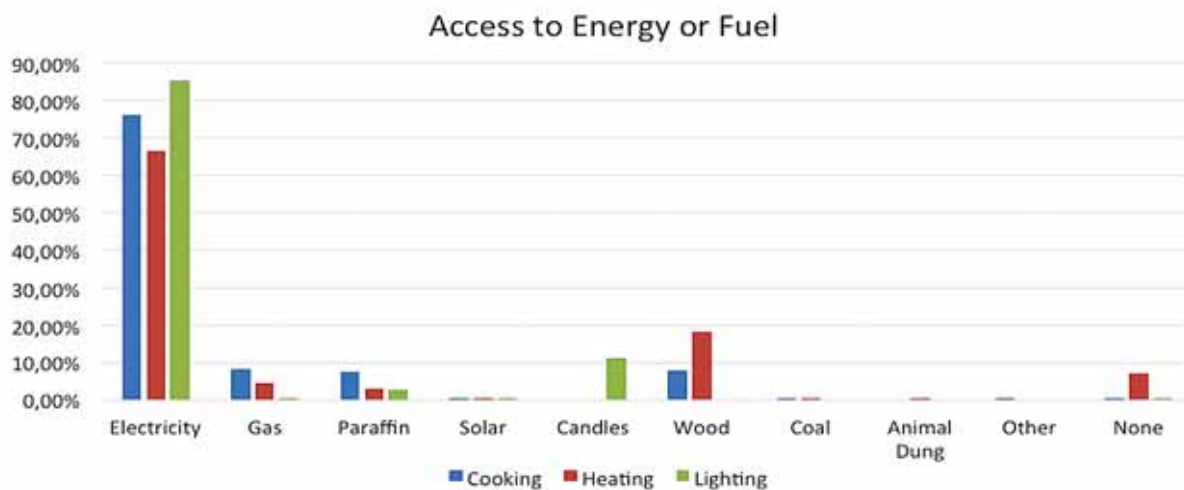
ACCESS TO ELECTRICITY

There is reasonably high access to electricity, with 85.5% of households using electricity for lighting. Chart 4 below shows that the municipality has made substantial progress in ensuring access/provision of electricity to a number of households within the municipality.

Financial year 2014/2015 saw some challenges in supplying new connections of electricity to the indigent community, however the indigent register was monitored throughout the year and over 2000 households benefited from the free basic electricity.

One of the biggest challenges faced by the municipality over the years is electricity losses due to electricity theft. This has a huge negative impact for the municipality as we are still expected to settle the electricity usage with ESKOM on a monthly basis. In the year 2013/2014, the municipality initiated a 'stop electricity theft' campaign aimed at eradicating electricity theft; however the campaign eventually had to be suspended due to challenges experienced.

Chart 3: Energy or Fuel for Cooking, Heating and Lighting



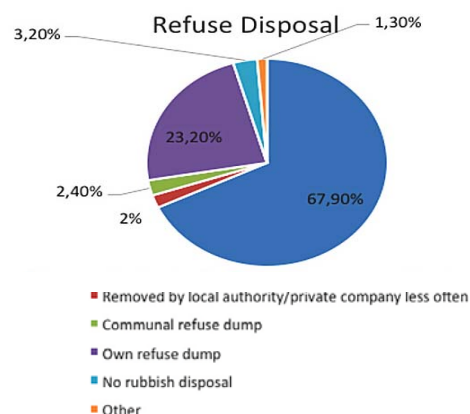
Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2015

ACCESS TO REFUSE REMOVAL

52.5% households have access to weekly refuse removal. However, 67.90% refuse is disposed weekly. The diagram below depicts the refuse disposal trends.

Chart 4: Refuse Disposal



HEALTH FACILITIES

Health Services within uMngeni Municipality are mainly provided by the Department of Health through provision of clinics and mobile clinics. The following Health facilities are found in the area. The list includes private institutions, currently operating within uMngeni Municipality:

- Hilton Life Hospital
- uMngeni Hospital
- Medi-Clinic Private Hospital
- Provincial Clinics (Mpophomeni, Howick and Balgowan Clinics)
- Mobile Clinic Ports

1.3 SERVICE DELIVERY OVERVIEW

A number of service delivery projects were seen to completion by the end of the financial year 2014/2015. The projects are presented in table one below.

Table 1: Service delivery project

PROJECTS	COST	WARDS
ELECTRIFICATION:		
Hiltonian Society	R450 000.00 on DoE	Ward 12
Gamalakhe	R400 000.00 on DoE	Ward 4
Hawkstone	R148 000.00 on DoE	Ward 5
ROADS:		
Mpophomeni Roads and storm water - Phase 3 (100% Completion)	R16 000 000.00 on MIG	Ward 8, 9, 10 and 11
Midlands construction of Cosmo Impala Road (100% completion)	R998 471.00 on MIG	Ward 2
Upgrade Road P390/D1127 (99% Completion)	R15 000 000.00 on NDPG	Ward 12

Mayor's Foreword and Executive Summary (continued)



for the year ended 30 June 2015

HOUSING PROJECTS:		
Hiltonian Housing Projects (Phase 3) - 98% Completion (27 units built to completion)	R2 752 411.00	Ward 12
Nxamalala/Inadi Housing project (100% completion)		Ward 9

Table 2: Service delivery projects in progress

PROJECTS	COST	WARDS
LOCAL ECONOMIC DEVELOPMENT PROJECTS (Tourism Sites): (the following projects not only contributed to enhancing investment promotion but also opened up job opportunities for the residents of uMngeni Municipality)		
Mandela Capture Site (construction of exhibition centre) – (55% complete)	R32 312 117.00	Ward 9
ROADS:		
Khayelisha Storm water project:	R14 000 000.00 on MIG	Ward 1
Storm water Retention Dam (100% completion)		
Pump station (100% completion)		
Pipeline (Awaiting way-leave agreement)		
Khanya Village Access Road (80% completion)	2013/2014 funds used from capital expenditure	Ward 7

HOUSING:		
Cedara-Khanya Village - Funding has been obtained, road infrastructure is underway. Finalising approval of plans.		Ward 7
Formalising Lutchman - Awaiting appointment of the Implementing Agent		Ward 4
Human Settlement		Ward 9

Provision of electricity (prepaid and conventional meters) continues to be one of the municipality's priorities. Waste management was carried out through on-going refuse collection, recycling (in partnership with Wildlands), as well as the EPWP programme funded by the Department of COGTA.



uMgungundlovu District Municipality (UMDM) is responsible for provision of water within uMngeni area. Furthermore UMDM is also responsible for environmental health services for uMngeni Municipality. On the other hand, Msunduzi Municipality provides electricity within the Hilton area of uMngeni Municipality. Therefore, strengthening intergovernmental relations with these municipalities is essential in ensuring that service delivery is uninterrupted.

Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2015

1.4 FINANCIAL HEALTH OVERVIEW

Financial overview

The Interim Finance Committee, call centre, debt collection (through attorneys), disconnections for non-payment, relief for indigent residents, credit control subcommittee are cash flow management and revenue enhancement measures put in place by Council to leverage the municipality's financial status.



The financial ratios reflect a very positive picture that the municipality will eventually reach financial stability.

Liquidity ratios:

Liquidity ratios: 2014/2015

- a. Acid Test Ratio = Current Assets less Inventories/ Current Liability

$$= 124\,905\,435 - 31\,866\,000 / 51\,077\,578$$

$$= 1:1.82$$
- b. Current Ratio = Current Assets/ Current Liabilities

$$= 124\,905\,435 / 51\,077\,578$$

$$= 1:2.45$$

Table three below presents the financial overview of the municipality.

Table 3: Financial overview

Financial overview: 2014/2015			
Original Budget	Adjustment Budget	Actual	
Income:	289 780 196	302 922 103	32 137 613
Grants	63 404 000	79 045 000	102 976 662
Taxes, Levies and Tariffs	206 651 316	199 972 979	183 958 862
Other	19 724 880	23 904 124	39 202 089
Sub Total	32 404 403	43 828 715	28 432 317
Less: Expenditure (excl. capital grants)	257 375 793	259 093 388	297 705 296

Table 4: Operating revenues

Operating ratios	
Detail	%
Employee Cost	30.45
Repairs & Maintenance	4.15
Finance Charges & Impairment	1.31

The employee cost is at 30.45% ratio to total operating cost and this is a positive reflection as the municipality is further moving towards an even lower ratio in the next financial year. Repairs and maintenance at 4.15% compared to the 2.23% of last financial year this proves an increase as it was expected. By the end of the financial year Finance charges and impairments were standing at 1.31%.

Mayor's Foreword and Executive Summary (continued)



for the year ended 30 June 2015

Table 5: Total Capital Expenditure

Total Capital Expenditure			
Detail	2012/13	2013/2014	2014/2015
Original budget	16 190 000	32 262 000	23 015 000
Adjustment budget	21 605 000	43 386 000	67 992 000
Actual	21 605 000	38 341 722	55 884 000

In the year under review, uMngeni Municipality relied only on the Municipal Infrastructure Grant for all the CAPEX projects.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW



The financial year 2014/2015 began with Mr. SG Simpson, General Manager: Economic Development and Planning acting in the Municipal Manager's position. In August 2015 Mr. KE Mpungose stepped in and took over the reins from Mr. SG Simpson leading the administration of the municipality into what seems like a better position in terms of compliance.

The strategic planning session which took place in the Drakensberg from 3-5 November 2014 gave both the administration and councillors of the municipality an opportunity to re-evaluate the status of the municipality and determine a way-forward. It proved to be a success as a number of resolutions taken at the session were implemented before the end of the financial year.

Evaluation Panels for the performance assessments established by Council in financial year 2013/2014 were active during the year under review. Mid-year SDBIP performance assessments were conducted during the 3rd quarter of the financial year.

Organisational development processes included training of councillors through the workplace skills plan, to ensure that the leaders of the municipality are well capacitated to play their oversight role. This took place in financial year 2013/2014 but rolled over to 2014/2015. For the rest of the municipal staff an opportunity was afforded for them to submit study assistance applications, these were all approved and a considerable amount was contributed towards the employee's study fees to various institutions including UNISA, DUT, FET College, etc. Each employee was given a maximum of R7000.00 towards the study fees.

1.6 AUDITOR-GENERAL'S REPORT

uMngeni Municipality obtained an unqualified audit opinion with emphasis of matter. The municipality is in the process of developing an action plan to ensure that the findings raised by the Auditor General are attended to. Once the plan is developed the Management Committee (MANCO) will be responsible for its monitoring. Details of the report are in Chapter 5 of this document.



Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2015

1.7 STATUTORY ANNUAL REPORT PROCESS

Section 127 (2) of the Municipal Finance Management Act, Act No. 56 of 2003, states that the Mayor of the Municipality must within seven months after the end of financial year table in the Municipal Council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

The process that will be followed in drafting, tabling and adopting the 2014/2015 annual report will be as follows:

Table 6: Statutory Annual Report Process

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July 2015
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 2014/2015 Annual Report to Internal Audit and Auditor-General	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August 2015
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October 2015
12	Municipalities receive and start to address the Auditor General's comments	December 2015
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	31 January 2016
14	Audited Annual Report is made public and representation is invited	01 February 2016
15	Oversight Committee assesses Annual Report	30 March 2016
16	Council adopts Oversight report	
17	Oversight report is made public	04 April 2016
18	Oversight report and final adopted annual report are submitted to relevant provincial councils	02 April 2016
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	May 2016

Meetings for the assessment of the annual report by the oversight committee will be advertised in the print media and are open to public. The final Annual report will be published together with oversight report as adopted by Council.



for the year ended 30 June 2015

INTRODUCTION

uMngeni Municipality's governance structure is made up of political and administrative governance, inter-governmental relations, and public accountability and participation along with corporate governance.

The section on Political governance presents the breakdown of elected Councillors, the committees they are part of, and the number of meetings they attend. The administrative aspect of the municipality is reported in terms of the Organisational structure being implemented and a distinction made of the business units and their respective functions. The intergovernmental relations section focuses on the relations forged by the Municipality with other sector departments for the purposes of developing into a progressive municipality and successfully carrying out its day to day activities. Among these are the National & Provincial Treasury, the Auditor General & the provincial Department of COGTA.

The section on Public Accountability looks at the strategies used by the municipality to ensure service delivery and community involvement in the affairs of the municipality. Among the mentioned strategies are community meetings, izimbizo and ward committee processes within all 12 wards of the municipality.

Corporate governance looks at issues of transparency and accountability whereby the municipality outlines its top risks, and also the way in which they run the supply chain management unit. Together these important aspects intertwine and are forged so as to ensure all aspects of the municipality are properly functioning and that communities receive quality services at an affordable price.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE



The political structure of the Municipality is made up of the elected Councillors led by the Mayor; and the administrative structure has the General Managers or Heads of Departments (HODs) led by the Municipal Manager. Both these structures work together in the quest of delivering basic services to the communities serviced by uMngeni Municipality.

Note: The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

2.1 POLITICAL GOVERNANCE

uMngeni Municipality has functional Executive Committee and Council structures that meet monthly. The portfolio committees also meet on a monthly basis. The Municipal Public Accounts Committee and the Audit Committee continue to play the imperative oversight and advisory role to Council, to ensure that the municipal functions are on track.

Table 7: Political Parties: Seats and Gender

Party	Total Seats	Wards Seats	PR Seats	Gender
African National Congress	14	8	6	F = 7 M = 7
Democratic Alliance	9	4	5	F = 6 M = 3

Governance Structure (continued)

for the year ended 30 June 2015

POLITICAL STRUCTURE



Clr MP Myeni
Mayor



Clr SR Majozi
Deputy Mayor



Clr TP Mchunu
Speaker



Clr P Passmoor
EXCO Member

COUNCILLORS

The councillors are elected by the local registered voters to serve a predetermined term of office on the local council as representatives of their respective constituents. uMngeni Municipal Council has a total of 23 seats. Twelve (12) of these seats are allocated to ward councillors who are elected by the wards they represent. The other 11 seats are allocated to political parties in proportion to the number of votes cast for them.



Clr STJ Ndlovu



Clr T Cele



Clr Z Dlamini



Clr T Duggan



Clr M Greuneberg



Clr J Holmes



Clr J Lewis



Clr C Millar



Clr J Mkhlasibe



Clr G Mthembu



Clr H Ndlela



Clr N Mlotshwa



Clr M Ndlovu



Clr SD Nkuna



Clr T Nxele



Clr LP Phikwane



Clr S Pillay



Clr B Zuma



Clr J Zondi

Governance Structure (continued)



for the year ended 30 June 2015

COMMITTEE ALLOCATIONS July 2015 - June 2016

The portfolio committees are made up of Councillors from both political parties

Table 8: Committees and Subcommittees

COMMITTEE/ SUB-COMMITTEE ALLOCATIONS	COUNCILLORS
EXECUTIVE COMMITTEE	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr SR Majozi
	Cllr PA Passmoor
PUBLIC ACCOUNTS COMMITTEE	Cllr STJ Ndlovu (<i>Chairperson</i>)
	Cllr GT Dlamini
	Cllr HP Ndlela
	Cllr TA Duggan
	Cllr MJ Grueneberg
TECHNICAL CLUSTER	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr GT Dlamini
	Cllr JA Mkhlasibe
	Cllr FG Mthembu
	Cllr BA Zuma
	Cllr J Lewis
	Cllr PA Passmoor
	Cllr LP Phikwane
SOCIAL AND ECONOMIC CLUSTER	Cllr SR Majozi (<i>Deputy Mayor - Chairperson</i>)
	Cllr SD Nkuna
	Cllr HP Ndlela
	Cllr JM Zondi
	Cllr TG Nxele
	Cllr CRW Millar
	Cllr TA Duggan
	Cllr FT Cele

Governance Structure (continued)

for the year ended 30 June 2015

COMMITTEE/ SUB-COMMITTEE ALLOCATIONS	COUNCILLORS
MANAGEMENT CLUSTER	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr STJ Ndlovu
	Cllr SK Pillay
	Cllr M Ndlovu
	Cllr N Mlotshwa
	Cllr MJ Grueneberg
	Cllr JE Holmes
INTERIM FINANCE (BUDGET SUB-COMMITTEE)	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr SR Majozi, Deputy Mayor
	Cllr PA Passmoor
LOCAL LABOUR FORUM	Cllr SK Pillay (<i>Chairperson</i>)
	Cllr Dlamini
	Cllr STJ Ndlovu
	Cllr JE Holmes
CREDIT CONTROL	Cllr PA Passmoor (<i>Chairperson</i>)
	Cllr SR Majozi (<i>Deputy Mayor</i>)
	Cllr Mkhasibe
INFORMAL TRADERS	Cllr GT Nxele (<i>Chairperson</i>)
	Cllr SD Nkuna
	Cllr LP Phikwane
	Cllr M Ndlovu
VALUATION	Cllr SK Pillay (<i>Chairperson</i>)
	Cllr FG Mthembu
	Cllr CRW Millar
AUDIT COMMITTEE	Mr. S Sethene
	Mr. C Ngubane
	Mrs. N Gevers
	Mr. L Kubheka
	Mr. B Dladla

Governance Structure (continued)



for the year ended 30 June 2015

Table 9: Number Committees and Sub-Committees' Meetings in 2014/2015

Type of Council Committee Meetings: Number	Number of Meetings
Council	12 + 4 Special Council = 16
Executive Committee	14
Municipal Public Accounts Committee	7
Technical Cluster	9
Social And Economic Cluster	8
Management Cluster	8
Interim Finance Committee	23
Local Labour Forum	5
Credit Control	10
Informal Traders	3
Valuation Sub-Committee	10
Audit Committee	4

2.2 ADMINISTRATIVE GOVERNANCE



Mr KE Mpungose
Acting General Manager
(From August 2014 to May 2015)



Mr S Gwala
Chief Financial Officer
(From January 2015)
General Manager:
Community Services
(From December 2014)



Mr HS Buthelezi
General Manager:
Corporate Services

The departments are;

- Office of the Municipal Manager (OMM);
- Corporate Services;
- Financial Services;
- Economic Development and Planning;
- Community Services;
- Technical Services

The above mentioned departments are headed by General Managers (HODs), reporting directly to the Municipal Manager.



Mr E Svensson
General Manager:
Technical Services



Mr SG Simpson
General Manager:
Economic Development
and Planning (and Acting
Municipal Manager as at
June 2015 to July 2015)



Mr B Mpanza
Title?

For strategic development purposes, there is a Management Committee (MANCO) structure, where all the General Managers together with the Municipal Manager, deliberate weekly on administrative issues of the municipality and over and above that structure, is the monthly, Extended Management Committee (ExMANCO) which is a structure made up of MANCO and line managers of the municipality. This structure further ensures that all the strategic issues linked to the operations of the municipality are reported and addressed accordingly.

Governance Structure (continued)

for the year ended 30 June 2015

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

'Inter-governmental relations' is the relationships between the three spheres of government. The South African Constitution states, 'the three spheres of government are distinctive, interdependent and interrelated'. Provincial and local government are spheres of government in their own right, and are not a function or administrative implementing arm of national or provincial government. Although the three spheres of government are autonomous, they exist in a unitary South Africa and they have to work together on decision-making and must co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

PROVINCIAL INTERGOVERNMENTAL RELATIONS

Provincially, the Municipality engaged with and received support from a number of government departments and organisations. The Provincial Department of Cooperative Governance and Traditional Affairs (COGTA) worked closely with the performance management unit (PMS) to support the implementation of Organisational Performance Management and the IDP through the District Technical Advisory Committee (DTAC).

Provincial Treasury continued to support the Interim Finance Committee (IFC), the finance department and the internal audit unit.

The Mayor and Acting/Municipal Manager participated in the MUNIMEC.

DISTRICT INTERGOVERNMENTAL RELATIONS

At a District level, the municipality participated in a number of forums and meetings in the quest to enhance service delivery.

These were as follows:

- The District Technical Forum.
- Planning and Development Cluster
- Financial Cluster
- Corporate Governance Cluster
- Corporate and Social Services Cluster
- Technical and Infrastructure Cluster
- GITOC
- Communication cluster
- Special Programmes
- Municipal Managers' Forum
- Mayors' Forum



Over and above the structured engagements, the municipality, through the Communications section, is working on strengthening the district intergovernmental relations through involvement in the annual Mandela Marathon as well as collaborations in the Mandela Capture Site, Exhibition Centre.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

During the 2014/2015 financial year, the municipality had 12 functional ward committees which serve as a conduit between the municipality and the community.

In addition to ward committees, the Service Delivery and Budget Implementation Plan (SDBIP) is made public and published on the municipal website. This contains projected financial and service delivery Indicators and deliverables. Members of the public are also invited to participate in the Oversight process related to the Annual Report.

In the promotion of public accountability and participation members of the public are invited to attend all meetings of the Council and its committees.

Governance Structure (continued)



for the year ended 30 June 2015

Another mechanism of public participation is the mayoral budget and integrated development plan (IDP) izimbizo. These are held prior to finalising the multi-year budget in order to provide feedback to the community on the implementation of projects in the current financial year and to illicit the needs of the community in order to provide input for the new financial year (IDP review).

Section 2.4 below provides an outline of further mechanisms which the municipality utilises as a mean of public participation.

3.1 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

IDP, PMS and budget process plan are approved by Council before end of august annually. Once approved a public notice is posted on the website and various newspapers. The process plan reflects the different activities and milestones in terms of the IDP review, PMS and budget implementation and monitoring.

uMngeni Municipality has a well-structured public participation programme which is reflected in the Process Plan.

Below are the citizen mobilisation and participation strategies employed by the municipality to ensure that the voiced of the citizen and stakeholders are accommodated in the planning, execution and review of the IDP, Budget and PMS processes are as follows:

Citizen Mobilisation and Participation Strategies

- Ward Committee Monthly Meetings
- Stakeholders Quarterly Meeting (Reporting on PMS Progress/SDBIP and IDP)
- Monthly Community Meetings by Councillors (due to financial constrains are held once in two months /6 meetings per annum per ward)
- Project Based Meetings
- Sector Plan Based Engagements
- Community Based Planning
- Complaints Register: Customer Care and Batho Pele Engagements
- Executive committee – Open to Public
- Full Council Meeting – Open to Public
- Integrated Development Planning Meetings:
 - Izimbizo: Public Meetings for
 - Budget, IDP etc.
- Municipal Property Rates Act (MPRA)
- Service Standard or Charter
- Operation Sukuma Sakhe – Premier's
- Flagship tool for Accelerated Service Delivery at a ward-base level
- Attendance to invitations by interest groups

uMngeni Municipality had it communication strategy approved by Council in June 2015. The document is used to guide the internal and external communication processes amongst which responsiveness towards public complaints and ensuring the implementation of Batho Pele principles is key.

The implementation of the various public participation/ engagement strategies mentioned above varies. Some are conducted throughout the year specifically at an operational level and then some of them are organised fortnightly, monthly, and quarterly and annually as reflected in the municipality's Process Plan.

In total, 69 ward committee meetings were held and 7 IDP community meetings were held covering all 12 wards; the break-down follows in the table below.

Governance Structure (continued)

for the year ended 30 June 2015

Table 10: Community Meetings

Nature and purpose of meeting	Date of Meeting	Number of participating Municipal Councillors	Number of Community Members Attending
IDP Review & Multi-Year Budget Meetings in Wards 1-12	11 April 2015	4	49
	14 April 2015	3	129
	15 April 2015	3	114
	16 April 2015	3	141
	19 April 2015	4	58
	21 April 2015	4	103
	22 April 2015	4	52



Governance Structure (continued)



for the year ended 30 June 2015

Table 11: Ward Committee Meetings

Nature and purpose of meeting Ward Committee meetings in the following wards:	Date of Meeting	Number of participating Municipal Councillors	Number of Community Members Attending
Ward 1	Quarter 1 12 September 2014 29 September 2014	1 (Cllr Mkhasibe) 1 (Cllr Mkhasibe)	7 5
	Quarter 2		
	Quarter 3 31 January 2015 07 March 2015	1 (Cllr Mkhasibe) 1 (Cllr Mkhasibe)	9 9
	Quarter 4 15 April 2015 20 May 2015 17 June 2015	1 (Cllr Mkhasibe) 1 (Cllr Mkhasibe) 1 (Cllr Mkhasibe)	6 7 5
	Quarter 1 30 July 2014 27 August 2014 30 September 2014	1 (Cllr Holmes) 1 (Cllr Holmes) 1 (Cllr Holmes)	7 4 7
	Quarter 2 01 October 2014	1 (Cllr Holmes) 1 (Cllr Holmes) 1 (Cllr Holmes)	7 5 8
	Quarter 3 21 January 2015 18 February 2015 18 March 2015	1 (Cllr Holmes) 1 (Cllr Holmes) 1 (Cllr Holmes)	8 6 8
	Quarter 4 15 April 2015 20 May 2015 17 June 2015	1 (Cllr Holmes) 1 (Cllr Holmes) 1 (Cllr Holmes)	6 7 5
Ward 2	Quarter 1		
	Quarter 2		
	Quarter 3 18 January 2015 14 February 2015 21 March 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	7 10 8
	Quarter 4 05 April 2015 17 May 2015 15 June 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	5 7 9
	Quarter 1		
	Quarter 2		
	Quarter 3 18 January 2015 14 February 2015 21 March 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	7 10 8
	Quarter 4 05 April 2015 17 May 2015 15 June 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	5 7 9
Ward 3	Quarter 1		
	Quarter 2		
	Quarter 3 18 January 2015 14 February 2015 21 March 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	7 10 8
	Quarter 4 05 April 2015 17 May 2015 15 June 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	5 7 9
	Quarter 1		
	Quarter 2		
	Quarter 3 18 January 2015 14 February 2015 21 March 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	7 10 8
	Quarter 4 05 April 2015 17 May 2015 15 June 2015	1 (Cllr Zondi) 1 (Cllr Zondi) 1 (Cllr Zondi)	5 7 9

Governance Structure(continued)

for the year ended 30 June 2015

Nature and purpose of meeting	Date of Meeting	Number of participating Municipal Councillors	Number of Community Members Attending
Ward Committee meetings in the following wards:			
Ward 4	Quarter 1		
	Quarter 2		
	Quarter 3		
	24 January 2015	1 (Cllr Nkuna)	6
	08 February 2015	1 (Cllr Nkuna)	11
	22 March 2015	1 (Cllr Nkuna)	11
	Quarter 4		
	12 April 2015	1 (Cllr Nkuna)	8
Ward 5	24 May 2015	1 (Cllr Nkuna)	5
	28 June 2015	1 (Cllr Nkuna)	5
	Quarter 1		
	30 July 2014	1 (Cllr Lewis)	5
	Quarter 2		
	Quarter 3		
	30 January 2015	1 (Cllr Lewis)	9
	27 February 2015	1 (Cllr Lewis)	11
Ward 6	26 March 2015	1 (Cllr Lewis)	6
	Quarter 4		
	24 April 2015	1 (Cllr Lewis)	8
	26 June 2014	1 (Cllr Lewis)	8
	Quarter 1		
	Quarter 2		
	Quarter 3		
	25 January 2015	1 (Cllr Millar)	
Ward 7	27 January 2015	1 (Cllr Millar)	
	27 March 2015	1 (Cllr Millar)	
	Quarter 4		
	24 April 2015	1 (Cllr Millar)	
	29 May 2015	1 (Cllr Millar)	5
	26 June 2015	1 (Cllr Millar)	
	Quarter 1		
	Quarter 2		
Ward 7	Quarter 3		
	15 February 2015	1 (Cllr Passmoor)	4
	15 March 2015	1 (Cllr Passmoor)	4
	Quarter 4		
	19 April 2015	1 (Cllr Passmoor)	4
	17 May 2015	1 (Cllr Passmoor)	4

Governance Structure (continued)



for the year ended 30 June 2015

Nature and purpose of meeting	Date of Meeting	Number of participating Municipal Councillors	Number of Community Members Attending
Ward Committee meetings in the following wards:			
Ward 8	Quarter 1		
	Quarter 2 18 December 2015	1 (Cllr Ndlovu)	10
	Quarter 3 10 February 2015 04 March 2015	1 (Cllr Ndlovu) 1 (Cllr Ndlovu)	7 8
	Quarter 4 15 April 2015 12 May 2015 04 June 2015	1 (Cllr Ndlovu) 1 (Cllr Ndlovu) 1 (Cllr Ndlovu)	6 7 6
	Quarter 1 17 January 2014	1 (Cllr Dlamini)	7
	Quarter 2		
	Quarter 3 18 January 2015 09 February 2015 09 March 2015	1 (Cllr Dlamini) Apology 1 (Cllr Dlamini)	5 7 6
Ward 9	Quarter 4 08 April 2015 22 May 2015 23 June 2015	1 (Cllr Dlamini) 1 (Cllr Dlamini) 1 (Cllr Dlamini)	5 6 6
	Quarter 1		
	Quarter 2		
	Quarter 3 03 February 2015 09 March 2015	1 (Cllr Majosi) 1 (Cllr Majosi)	9 10
	Quarter 4 12 May 2015 17 June 2015	1 (Cllr Majosi) 1 (Cllr Majosi)	9 9
	Quarter 1 09 September 2014	1 (Cllr Nxele)	6
	Quarter 2		
Ward 10	Quarter 3 14 January 2015 06 February 2015 05 March 2015	1 (Cllr Nxele) 1 (Cllr Nxele) 1 (Cllr Nxele)	9 6 7
	Quarter 4 14 April 2015 08 May 2015 12 June 2015	1 (Cllr Nxele) 1 (Cllr Nxele) 1 (Cllr Nxele)	8 8 8
	Quarter 1		
	Quarter 2		
	Quarter 3		
	Quarter 4		
	Quarter 1		
Ward 11	Quarter 2		
	Quarter 3		
	Quarter 4		
	Quarter 1		
	Quarter 2		
	Quarter 3		
	Quarter 4		

Governance Structure (continued)

for the year ended 30 June 2015

Nature and purpose of meeting	Date of Meeting	Number of participating Municipal Councillors	Number of Community Members Attending
Ward Committee meetings in the following wards:			
Ward 12	Quarter 1 07 September 2014	1 (Cllr Zuma)	4
	Quarter 2		
	Quarter 3 01 March 2015	1 (Cllr Zuma)	3
	Quarter 4 12 April 2015	1 (Cllr Zuma)	6
	03 May 2015 07 June 2015	1 (Cllr Zuma) 1 (Cllr Zuma)	6 3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The meetings provide a platform for the community members to raise their concerns and also have a say in the developmental issues affecting their wards. The meetings also ensure timeous feedback on their problems/issues raised in the previous year. However, there is still room for improvement in ensuring that the meetings (both public and ward committee meetings) are held regularly.

3.2 IDP PARTICIPATION AND ALIGNMENT

Table 12: IDP Participation and Alignment

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	YES
Does the IDP have priorities, objectives, KPIs, development strategies?	YES
Does the IDP have multi-year targets?	YES
Are the above aligned and can they be calculated into a score?	YES
Does the budget align directly to the KPIs in the strategic plan?	YES
Do the IDP KPIs align to the Section 57 Managers	YES
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	YES
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	YES
Were the indicators communicated to the public?	YES
Were the four quarter aligned reports submitted within stipulated time frames?	YES
* Section 26 Municipal Systems Act 2000	

Governance Structure (continued)



for the year ended 30 June 2015

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Corporate Governance at uMngeni Municipality entails risk management, supply chain management, performance management and internal audit which is unpacked below.

4.1 RISK MANAGEMENT

Risk management processes in uMngeni Municipality serve to:

- Identify and rate strategic and operational risks that have the highest potential to impact (positively or negatively) on the achievement of the municipalities strategic objectives.
- Serve as a valuable tool and reference source for management, assisting management in identifying and/or managing risks including financial, operational, compliance, reputational and strategic risks.
- Assist the municipality with the development and rollout of mapped controls and an action plan process at the Municipality

Risk management remains a function of the Office of the Municipal Manager. However, senior management is tasked with ensuring identification and managements of risks within their departments.

The top 5 risks identified within uMngeni Municipality are:

- a) Revenue management
- b) Performance management
- c) Expenditure
- d) Housing delivery
- e) Records Management

In 2013, Council approved the Risk management framework for uMngeni Municipality and the municipal manager was appointed as the custodian of its implementation, through MANCO and the Internal Audit unit. The main focus is on the top 5 risks as well as any other risks reflected on the risk register, which is currently undergoing review.

4.2 ANTI-CORRUPTION AND FRAUD RISK MANAGEMENT

In February 2014, the Department of COGTA organised an Anti-Corruption and Fraud Risk management workshop. This was facilitated by an auditing firm and attended by General Managers and Extended MANCO. A risk register was developed at the workshop. The anti-corruption policy is currently being reviewed by Internal Audit Unit. The municipality is currently deliberating with COGTA on the assistance with the anticorruption line.

4.3 SUPPLY CHAIN MANAGEMENT

The supply chain management policy was reviewed and adopted by Council In June 2015 in preparation for the new financial year. The aim was to establish a credible base from which the business processes can be developed. The policy is aligned to the Model policy issued by National Treasury and to remove information that related to processes hence making it a legal document per the SCM regulations. Proper delegations and sub delegations per the SCM policy were established and implemented.

The staff complement in the SCM unit is made up of the manager, the administration officer and an intern.

The SCM implementation plan was developed and implemented throughout the year and quarterly reports on implementation were submitted to the Mayor (i.e. the deviations report).

In terms of the MFMA SCM regulations, the SCM policy of the municipality must provide for a system of demand, acquisition, logistics, disposal, risk and performance management, and our policy does provide for it. Further details on tenders awarded in the year under review are disclosed in the next section on service delivery performance.

Governance Structure (continued)

for the year ended 30 June 2015

Performance Management

The Municipality has a performance management unit within the office of the Municipal Manager (OMM). Currently, the unit has a Manager and an Officer who joined the unit on the 1st of February 2014. The performance management framework was adopted by Council in May 2014.

The key performance areas for the unit include the development, monitoring, evaluation and reporting of the SDBIP performance information.

The performance information of the SDBIP was reported quarterly to Council. Formal mid-year assessments of the performance of senior managers were conducted in March 2015.

4.4 BY-LAWS

Table 13: Status of Municipal Bylaws

Bylaw	Promulgated	Date promulgated
Pound Advertising Signs	Y	April 2006
Dogs	Y	April 2006
Dumping and Littering	Y	April 2006
Cemetery	Y	April 2006
Control of Parking	Y	April 2006
Attendants / Car Guards	Y	April 2006
Credit Control and Debt	Y	April 2006
Collection	Y	April 2006
Credit Management	Y	April 2006
Electricity Supply	Y	April 2006
Financial	Y	April 2006
Fire Brigade Services	Y	April 2006
Funeral Undertakers	Y	April 2006
Nuisances	Y	April 2006
Public Health	Y	April 2006
Public Meetings and Gathering, Processions and the Like	Y	April 2006
Informal and economy by-law adopted by Council		09 October 2014
Waste Management	Y	April 2006
By-law relating to nuisance adopted by Council		April 2008
Emergency Services by-law	Not yet	still in draft stage
Traffic and Crime Prevention by-law		adopted by Council in October 2014
Dog by-law		to be reviewed

Enforcement of the current bylaws continues to be a priority for the municipality's traffic section as well as Economic Development and Planning Department.

Governance Structure(continued)



for the year ended 30 June 2015

4.5 WEBSITES

During the year under review, the municipality's website was under construction; hence a number of documents could have been inaccessible. However, a number of documents were uploaded as mandated by legislation.

Table 14: Municipal Website: Content and Currency of Material

Municipal Website: Content and Currency of Material		
Documents Published on the Municipal Website	(Yes/No)	Publishing Date
Current annual adjustment budget and all budget related documents	Yes	June 2015
All Current budget Policies	Yes	June 2015
The previous annual report 2013/2014	Yes	January 2014
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act 2011/2012 and resulting scorecards.	Yes	August 2015
All service level agreements 2014/2015	No	
All long term borrowings contracts 2014/2015	NA	
All supply chain management contracts above a prescribed value for 2014/2015	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2014/2015	NA	
Contracts agreed in 2014/2015 to which subsection (1) of section 33 apply, subject to subsection (3) of that section.	NO	
Public Private Partnership agreements referred to in section 120 made in 2013/2014	NA	
All quarterly reports tabled in Council in terms of Section 52 (d) Section 71 during 2014/2015	Yes	June 2015
Any other information required in terms of Section 75 of the Municipal Finance Management Act.	Yes	January 2015

4.6 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Due to stringent financial constraints, uMngeni Municipality has not commissioned any community/ public satisfaction surveys. However, positive as well as negative feedback is received on a regular basis through the Control Office, Call Centre as well as the Office of the Municipal Manager. The municipality is currently engaging on the development of the rapid response measures to ensure that service delivery protests are prevented.

Governance Structure(continued)

for the financial year ended 30 June 2015

UMNGENI LOCAL MUNICIPALITY

AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2015

We are pleased to present our report for the financial year ended 30 June 2015.

Composition of the Audit Committee

The Audit Committee of uMngeni Municipality is made up of three members who are not employed by the municipality and thus independent as required by section 166(4) of the Municipal Finance Management Act (MFMA). The Audit Committee members were appointed in terms of a council resolution.

Below are the names and designations of each of the Audit committee members:

Name of Member	Designation	Status
Adv. S Sethene	Chairperson	Active
Mr. C Ngubane	PMS Specialist	Resigned August 2015)
Mrs. N Gevers, CA(SA)	Member	Resigned November 2015)
Mr. L Kubheka	Member	Active
Mr. B Dladla	Member	Active

Meeting Attendance by the Audit Committee members

The Audit Committee consists of the independent members listed hereunder, is required to meet at least four times per annum as per its approved Terms of Reference. During the year under review; meetings were held as follows:-

- ☐ 19 August 2014
- ☐ 30 August 2014
- ☐ 31 October 2014
- ☐ 13 March 2015

For the 2014/15 financial year, a total of five meetings (as stated above) were scheduled by the uMngeni local Municipality Audit Committee and the attendance for these meetings was recorded as follows

Name of Member	Number of meetings attended
Adv. S Sethene	4
Mr. C Ngubane	1
Mrs. N Gevers, CA(SA)	4
Mr. L Kubheka	4
Mr. B Dladla	2

Audit Committee responsibility

We report that we have adopted appropriate formal Terms of Reference in our charter in line with the requirements of section 166 of the Municipal Finance Management Act, No. 56 of 2003. We further report that we conducted our affairs in compliance with the Audit Committee Charter as adopted by Council.

The effectiveness of internal control

We have reviewed various reports from the Internal and External Auditors, and the report on the adequacy and effectiveness of internal control systems. During the year under review, several deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General.

Furthermore, management should take all reasonable steps to ensure that internal control weaknesses identified by internal and external auditors are rectified to ensure adequacy and effectiveness of the system of internal controls.

Governance Structure(continued)



for the financial year ended 30 June 2015

Internal audit

In the 2014/15 financial year an improvement in the activities internal audit as no findings in the Auditor General report were reported, which is an improvement from the 2013/14 financial year. The Audit Committee does however note that further improvements need to be made within the internal audit activity especially concerning an increase focus in compliance audits.

The committee is satisfied with the processes and policies that have been developed in the unit and monitoring the internal audit work as per the approved risk based internal audit plan. The Audit Committee does however note that further improvements need to be made within the internal audit activity especially concerning an increase focus in compliance audits.

The quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA

The Audit Committee reviewed the quarterly financial reports as required by section 72 of the MFMA in the meetings that were held for the year under review. The municipality further relies on the reviews done by Treasury and Auditor General in terms of the quality thereof.

Evaluation of financial statements

The Audit committee reviewed the Annual Financial Statement of uMngeni Municipality for the 2014/15 financial year prior to submission to the Auditor-General. Furthermore, the Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Evaluation of the Performance Management System

The Internal Audit Activity has reviewed the performance management systems and information in terms of the relevant laws and regulations and submitted the reports to the Audit committee for quarter one to four of the 2014/15 financial year. The findings on such were thus discussed and action plans to address such findings were developed for implementation by management. Furthermore, the Committee concurs and accepts the Auditor-General's conclusions on the annual performance report and is of the opinion that the audited annual financial statements and performance report be accepted and read together with the report of the Auditor-General.

The Committee wishes to express its appreciation to the officials of the municipality and the Auditor-General for their assistance and co-operation.

Adv. Smanga Sethene

Chairperson of the Audit Committee

31 July 2015

Chapter 3

Service Delivery Performance Report

for the year ended 30 June 2015

CHAPTER 3: SERVICE DELIVERY PERFORMANCE REPORT

INTRODUCTION

The Annual Performance Report (APR) is a legislative requirement which prescribes that the report must be submitted to the Auditor General by the 31st August annually. The Annual Performance Report, amongst other documents, will form part of the consolidated Annual Report of the Municipality which must be tabled to Council by the end of January on an annual basis.

The Annual Performance Report (APR) 2014/ 2015 of uMngeni Municipality is presented as follows:

Functional Area Service Delivery Reporting Per Department

- Section One: Service Area Overview & Financial Performance
- Section Two: Scorecard And Departmental SDBIP Annual Performance Reports

This APR is based on the National Treasury annual report template which was further customised to reflect only the services rendered by the Municipality.

The municipality has had great success in ensuring existence of a fully-fledged PMS Unit that is structured according to the organisational structure (Manager and Officer). This ensures that the municipality's Organisational Performance Management System (OPMS) improves and that reliability of reports received is tested through intense engagements/ analysis. The importance of reporting is continuously emphasised to all employees as non-reporting reflects negatively on the municipality's performance.

In preparation for 2014/2015 financial year, the Service Delivery and Budget Implementation Plan (SDBIP) and Performance Management System Framework was reviewed and approved by council in August 2014.



Service Delivery Performance Report (continued)



for the year ended 30 June 2015

Performance reporting by various internal departments (HODs) was done quarterly and these reports were further consolidated for submission and review by the Municipal Manager, Audit Committee, Internal Audit and finally submitted to Council.

The section 56/57 managers signed the performance agreements for the 2014/2015 financial year, of which two S56/57 managers (Manager: Community Services and CFO) joined the municipality in the second half of the year. Three performance assessments were conducted. This includes two informal assessments and one formal. The fourth assessment will be conducted in quarter one of the 2015/2016 financial year. This was delayed unavailability of the evaluation panel members.

The Municipal Manager position was filled by two Acting Municipal Managers, Mr KE Mpungose (August 2014 – May 2015) and Mr SG Simpson (June 2015).

In November 2014, the municipality's leadership (Councillors, General Managers and Middle Managers) together with labour unions embarked on a strategic planning session which was facilitated by the then Acting Municipal Manager and Mr Thulani Bhengu, Senior Manager at the Department of Cooperative Governance and Traditional Affairs (Province). The strategic planning session was therefore carried out as part of the municipality's performance management process to allow for proper review and planning in order to enhance the Municipality's service delivery efforts. This session set a platform for reviewing the Municipality's strategic direction through a review and redevelopment of the Vision, Mission and Strategic objectives. The outcomes of the engagements are to serve as a framework for the Municipality's long term development plan.

The Municipal Public Accounts Committee (MPAC), Audit Committee, Interim Finance Committee (IFC) and Credit Control Committee have continued to play their oversight role.

Section one of this report gives the service area overview, with achievements, challenges and measure for improvement and financial performance in relation to basic services.



Service Delivery Performance Report (continued)

for the year ended 30 June 2015

SECTION ONE: SERVICE AREA OVERVIEW & FINANCIAL PERFORMANCE

Introduction

The 2014/2015 financial year has been a challenging one from a service delivery perspective. This is attributed to the shortage of resources and in particular human resources, transport and equipment resources and capacity at a manager level.

The improved financial status of the Municipality has had positive impact on service delivery in relation to repairs and maintenance. As a result, 70% of the municipality's graded roads have been re-graveled (in areas where graveling was overdue). Service delivery has also improved at the land fill site where the hiring of heavy plant has addressed backlogs and improved the operation of the site. All our urban areas receive at least weekly collection of refuse. As a result of a high vacancy rate at general worker level our focus has been on the utilisation of EPWP labour and the programme consisted of three different groups namely, maintenance services, Food for Waste and waste management, this programme yielded 165 job opportunities. Our EPWP programme also extended to job opportunities on our capital works programme and this programme yielded 76 job opportunities.

Although only R1m grant was received from the Department of Energy, the Municipality was able to provide 68 new prepaid connections to rural farm dwellers living on private land. It is worthwhile noting that although this was a complex project the co-operation between all stakeholders has yielded a total of 281 connections in these communities. uMngeni Municipality is extremely proud of this innovative project as currently there are no known initiatives of this nature.

The Municipality's greatest asset is the surfaced road infrastructure. As a result of improved cash flow of the Municipality a contract of R6m was awarded for roads' rehabilitation and a further R6m will be allocated in the 2015/2016 financial year for the same.

Although challenged by processes within the Municipality we were able to spend 100% of our MIG grant on new roads and sports field. The strategy being to have an impact across the entire Municipality.

The construction of the Mandela Exhibition Centre will become a landmark in the Municipality although faced by challenges good progress has been made. The above are a few highlights which has improved service delivery as a result of improved cash flow.

1. COMPONENT A: BASIC SERVICES

The Basic Services component within uMngeni Municipality includes: electricity; waste management; and housing services. Electricity and waste management are the responsibility of the Technical Services department. The housing section is split between Technical Services department (for EIAs and construction project management) and Community Services Department (for social compact).

Water and Sanitation is the responsibility of uMgungundlovu District Municipality and is therefore briefly reported in this annual performance report. The municipality remains responsible for facilitating the process of making sure that all water and sanitation needs within its area of jurisdiction are attended to accordingly by UMDM through a referral system carried out by the control (customer care) unit, as well as Senior Management.

The responsibility of ensuring provision of electrical services is shared between uMngeni Municipality, Eskom and Msunduzi Municipality (for Hilton area).

uMngeni Municipality does not have a fully-fledged electricity unit and thus relies on service providers for such services. In the year under review, the electricity service provider for uMngeni Municipality is Electrical Power Services (EPS). The service provider is responsible for all areas that are not serviced by Eskom and Msunduzi. It is to be noted that the contract with EPS has come to an end and in the new financial year, a new service provider will be appointed to take over.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

Redressing the infrastructural imbalances of the past remains the municipality's number one priority. In the financial year 2014/2015, the Municipal Infrastructure Grant (MIG), budgeted at the amount of R21 415 000 was fully (100%) utilised for construction and rehabilitation of roads, storm water drains, as well as construction of a sports field.

Towards the end of the financial year, the municipality made available funding amounting to R6m for further rehabilitation of roads in areas not eligible for benefiting from the MIG.

Details of each service delivery component follow.

1.1 ELECTRICITY

As stated earlier, uMngeni Municipal area is serviced by three electricity service providers being EPS (on behalf of the Municipality), Eskom and Msunduzi Municipality. In the financial year under review the municipality has been motivated to start considering a move towards establishment of a fully-fledged electrical services unit. This was further motivated by the recommendations made by SALGA at the strategic planning session held in November 2014. Some of these recommendations follows:

- That the municipality needs to retain the responsibility for electricity distribution as per the Constitution.
- That an action plan for assuming responsibility for electricity distribution needs to be developed.
- That the Municipality needs to consider acquiring an electricity distribution license and enter into a service level agreement with Msunduzi Municipality (distributing in Hilton) while in the process of establishing the unit.
- That the municipality (as the Service Authority) can continue to contract out the distribution of electricity (or parts of the service) to a capable external service provider.
- According to Stats SA 2011 Census, uMngeni Municipality has provided about 85% households (out of 30450) with access to electricity. This indicates a backlog of 15%.

A brief summary of the achievements:

- During the 2014/15 financial year 68 new households were electrified (Gamaletu/Sherwood in ward 4 = 28, Hawkstone in ward 5 = 6, Hiltonian Society phase 2, ward 12 = 34).
- The Electricity service provider has continued with extensive maintenance and repairs. The municipality has appointed a new service provider as the previous service provider's contract ended.
- The Municipality has succeeded in starting the processes of relocating the electricity transformers that have been over the years located in household yards in Mpopopheni.

The table below illustrates the electricity financial performance, comparing three financial years which shows that there has been no improvement in the actual revenue from electricity over the years.

TABLE 1: FINANCIAL PERFORMANCE 2014/15: ELECTRICITY SERVICES

Details	2012/13	2013/14			2014/2015		
	Actual budget	Original budget	Adjustment	Actual budget	Original budget	Adjustment	Actual
Total operational revenue (excl. tariffs)	59 445 186	65 275 000	63 675 000	56 777 666	61 416 516	65 538 661	56 907 328
Expenditure:							
Repairs and maintenance	412 612	6 610 000	1 066 000	733 696	5 564 426	4 214 426	2 160 273
Other	71 235 303	84 027 062	87 358 969	77 197 547	77 197 318	86 876 175	79 408 529
Total operational expenditure	71 647 916	90 637 062	88 424 969	77 931 243	82 761 744	91 090 601	81 568 802
Net	(12 202 730)	(25 362 062)	(24 749 969)	(21 153 577)	(21 345 228)	(25 551 940)	(24 661 474)

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

1.1.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON ELECTRICITY PERFORMANCE OVERALL

Some of the challenges encountered include:

- The Municipality's unavailability of an electricity internal unit. This means that the municipality is only supplying and recovering revenue from only 76% of its population as some electricity is provided by Eskom and Msunduzi;
- the backlogs on the repairs, maintenance, refurbishment and replacement of electricity infrastructure;
- There is high prevalence of electricity theft, as a result Council has initiated a "Stop electricity theft campaign". The programme was first implemented in 4 wards within Mpophomeni and plans for rolling it out to other wards are underway. The electricity sales are much less than the purchase amount thus revenue is lost due to theft and tampering;
- the electricity losses were which were 17% in 2014/2015 compared to 14% in 2013/2014 financial year;
- That revenue losses are mainly due to technical distribution losses, illegal connections, un-billed metered consumers, unmetered authorised consumers and tampering with meters.

In order to curb the challenges presented and improve on revenue collected, the Management Team will continue to lobby for political will and support in the implementation of the following strategies:

- The revenue enhancement strategy which includes;
 - 'Stop theft campaign' and non-payment disconnections.
 - Conversion of conversional meters to prepaid to ensure receipt of payments through purchases instead of having to bear the costs and losses of write-offs.

1.2 WASTE MANAGEMENT

Waste management within uMngeni Municipality includes, refuse removal, land fill site management, recycling and street cleaning.

The Municipality has established links with various environmental organisations such as DUCT, Wildlands, WESSA etc. as well as government departments such as Department of Agriculture and the Department of COGTA as part of environmental management.

Recycling continues to grow as the major component of refuse removal, as it has, through Wildlands been rolled out to areas such as Mpophomeni.

DUCT continues to assist the municipality in removing the illegal dump sites in various communities.

Towards the end of the 2014/2015 financial year, the municipality appointed a Manager for Waste Management and this has really contributed towards improved waste management, in relation to waste collection and street sweeping and landfill site management.

The Municipality implemented three waste management projects (EPWP, Food for Waste and Youth in Waste) that contributed to creation of 166 (incl.15 Youth Educators) jobs.



Service Delivery Performance Report (continued)



for the year ended 30 June 2015

The table below illustrates the waste management and the landfill site financial performance.

TABLE 2: FINANCIAL PERFORMANCE 2014/15: WASTE MANAGEMENT

Details	2012/13	2013/14			2014/2015		
	Actual budget	Original budget	Adjustment	Actual budget	Original budget	Adjustment	Actual
Details	2012/13		2013/14			2014/2015	
	Actual budget	Original budget	Adjustment	Actual budget	Original budget	Adjustment	Actual
Total operational revenue	12 809 020	14 000 996	14 000 996	14 451 044	10 519 552	10 519 552	10 467 939
Expenditure:							
Employees	3 161 504	3 656 840	3 530 204	3 509 427	3 205 154	3 848 621	4 288 665
Repairs and maintenance	387 431	638 319	464 319	414 362	1 327 838	1 467 110	1 394 731
Other	3 744 209	5 850 361	5 872 692	4 922 175	7 462 864	7 718 944	5 009 957
Total operational expenditure	7 293 144	10 054 520	9 867 215	8 845 964	11 995 856	13 034 675	10 693 353
Net	5 569 876	3 946 476	4 133 781	5 605 080	(1 476 304)	(2 515 123)	(225 424)

TABLE 3: FINANCIAL PERFORMANCE 2014/15: LANDFILL SITE

Details	2012/13	2013/14			2014/2015		
Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	
Total operational revenue	33 434,09	55 210	55 210	0,00	58 523	58 523	0
Expenditure:							
Employees	1 346 452,51	1 579 443	1 570 927	1 434 019	1 360 577	1 676 492	1 797 353
Repairs and maintenance	256 640,64	1 601 418	421 418	303 745	831 017	989 121	847 458
Other	581 010,76	1 223 178	1 093 361	3 258 983	1 166 744	3 089 168	5 348 178
Total operational expenditure	2 184 103,91	4 404 039	3 085 706	4 996 747	3 358 338	5 754 781	7 992 989
Net	(2 184 103,91)	(4 348 829)	(3 030 496)	4 996 747	(3 299 815)	(5 969 258)	7 992 989

1.2.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL

Staff shortage in the waste management section still poses a challenge. However in the current financial year, with the presence of the then Acting Manager: Waste Management (now appointed Manager), the section made great success which amongst other things, includes the cleanup of the landfill site, initiation of dump clearing projects, prompt refuse removal.

The availability of EPWP, Food for waste and Youth in waste programmes contributed positively to the waste management section. A review of the Organisational structure would result to improved performance in the section.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

1.3 Housing

Housing includes provision of low cost housing structures, rental dwellings, title deeds hand over as well as social compact processes (i.e.: consumer education, community liaison etc.).

In the Tribal Authority area of KwaNxamalala 847 housing units were successfully constructed and handed over to the households.

Upon complying with all planning conditions a funding application for construction of houses in Khayelisha will be furnished to the Department of Human Settlements. This project will yield 1500 houses in a phased manner.

The Municipality also achieved E.I.A. authorisation for a further three proposed housing projects. The expected yield for all these housing projects at various stages is 2957 units.

The distribution of the title deeds has been dealt with by the Housing component over the years, since the office was established in 2003. The distribution of title deeds of more than 946 to rightful owners was biggest highlights of our housing section.

Table 4: Title Deed Distribution

AREA/WARD	TOTAL DISTRIBUTED
Lidgetton West	5
Zenzani	31
KwaMevana	30
Howick Ext. 33/34	113
Mpophomeni W08	406
Mpophomeni W11	123
Mpophomeni W09	98
Mpophomeni W10	50
Mpophomeni W08	90

One of the key success in 2014/15 under Housing relates to consumer education which was carried out in different wards. To date, more than 700 beneficiaries have been trained. This has been done in collaboration with the Department of Human Settlement. The objectives of the programme follow:

- To ensure that all Housing Consumers in the entire residential property market understand the Government's role in the provision of housing;
- to ensure that consumers understands their rights, duties, responsibilities as well as their obligations, working in partnership with government to meet their housing needs to ensure sustainable housing delivery.

It is envisaged that the programme will continue in all other remaining wards in the next financial year.



Service Delivery Performance Report (continued)



for the year ended 30 June 2015

The tables below detail the status of the municipality's housing projects.

TABLE 5: STATUS OF HOUSING PROJECTS

NO.	PROJECT	STATUS	BUDGET	WARDS	OUTCOME
1.	Hiltonian Housing Projects (Phase 3)	The project is a partnership with the Hilton College to deliver housing units to the previously disadvantaged community of Hilton Village (Tea Pot Valley).	R2.5m	Ward 12	98% Completion (27 units built to completion)
2.	Cedara Housing Projects	Funding application has been submitted to the Department of Human Settlements for construction of 650 units.	R54.6m	Ward 7	650 housing units
3.	Gowrie Housing project	Withdrawn by private sector partner.	N/A	Ward 3	The land owner has withdrawn from the agreement
4.	Hillside housing	The project is at PDA stage. 100 units will be constructed. This process was delayed by the National Department of Agriculture's requirement for the Municipality to further conduct an EIA for water provision.	R8.4m	Ward 3	Partnership with private sector DEVCO for the donation of land and possible counter funding from DEVCO for construction of 100 units.
5.	Khayelisha Housing	The ROD and DFA conditions are still to be met and 1500 units will be built upon approval.	R126m	Ward 7	1500 units to house Zuzokuhle and Shiyabazali informal settlers.
6.	Tumbleweed	This project is at ROD stage and 22 units will be constructed.	R1.85m	Ward 12	22 housing units
7.	St Josephs	This project is at EIA stage. 80 units will be constructed.	R6.72m	Ward 6	80 housing units
8.	KwaMevana	This project is at PDA stage. 21 units will be constructed.	R1.76m	Ward 12	21 housing units
9.	Lions River Phase II	This project is at ROD stage and 547 units will be constructed.	R49.5m	Ward 9	547 housing units to be constructed
10.	Lutchman	This project is at ROD stage and 82 units will be constructed.	R6.9m	Ward 4	82 housing units to be constructed
11.	Nxamalala/ Inadi Rural Housing Project	100% completion.	R54m	Ward 8 & 9	847 units constructed

Table 6 below illustrates the housing financial performance, comparing three financial years. Housing does not have operational revenue.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

TABLE 6: FINANCIAL PERFORMANCE 2014/15: HOUSING

Details	2012/13		2013/14		2014/2015		
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	nil	nil	nil	nil	nil	nil	nil
Expenditure:							
Employees	947 148,35	617 481	547 257	503 438,52	1 156 102	1 041 902	794 059
Repairs and maintenance	Nil	60 000	5 000	nil	5 280	5 280	0
Other	Nil	567 408	221 983	98 027,32	157 833	154 167	1 370 302
Total operational expenditure	1 134 884,36	1 244 889	774 240	601 465,84	1 319 215	1 201 349	835 361
Net	(1 134 884,36)	(1 244 889)	(774 240)	(601 645,84)	(1 319 215)	(1 201 349)	(2 999 722)

1.3.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON PERFORMANCE OF THE HOUSING SERVICE OVERALL

Provision of low cost housing is one of the Municipality's priority areas. However it is one that is faced with challenges that are beyond the control of the municipality. Even though there has been a number of projects planned, emanating from previous financial years, Environmental Impact Assessments (EIAs), authorisation for appointment of Implementing Agents (IAs) as well as obtaining funding from the DHS have all posed a stumbling block in the efforts toward getting the projects implemented to completion.

The Municipality's Management Committee has therefore initiated engagements with DHS in order to work on amicable solutions to ensuring service delivery concerning provision of houses. Further deliberations regarding EIAs are being initiated. This is crucial for the Municipality as all these projects are intended to assist with eradication of slum dwellings within the municipality, which will in turn results to services delivery to all residing within the Municipal boundaries.

Furthermore, the vacancies and salary disparities in the Housing section remain a challenge that the Management Committee is working on.

1.4 FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality continues to cater for its indigent residents. This process is guided by an internal policy and there is an approved indigent register that is reviewed accordingly to ensure that only eligible consumers benefit from this essential provision.

The indigent debtors receive 100kwh free electricity per month provided that they have a prepaid electricity meter installed. Over and above that, properties with the valuation of up to R200,000 are also exempt from paying refuse charges.

Furthermore, electricity write-offs of R9 173 316 (conventional meters) for indigent consumers have been considered. This amount is a result of the implementation of the revenue enhancement strategy wherein consumers were granted amnesty pending receipt of payments as per the strategy.

1.4.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON PERFORMANCE OF THE FREE BASIC SERVICES OVERALL

The indigent register is updated twice per annum in order to ensure that only eligible consumers benefit from the programme.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

2. COMPONENT B: ROAD TRANSPORT

Road transport in this report refers to mainly roads and storm water and slightly on public transport. Roads, transport, and waste water (storm water drainage) falls within the Technical Services Department.

Furthermore, it is to be noted that the municipality has bylaws regulating the operation of public transport within its jurisdiction; however the municipality does not provide municipal public transport services.

In the financial year under review, the Management Committee of the Municipality initiated engagements with the Department of Public Works with the intention of negotiating release of parts of the land (own by the Department) surrounding the new taxi rank with the intention of extending the rank so that it can meet the standards of the Department of Transport and thus be operational thereof. These discussions are still ongoing.

There has been progress in relation to roads and storm water, and these are reported below.



2.1 ROADS & STORMWATER

Road infrastructure rehabilitation and maintenance continues to be a challenge as there are still backlogs resulting from limited funding.

In the period under review, 10km (in total) of roads were constructed to surfaced road standard in various areas of Mpophomeni and Howick South.

Furthermore, a R6 million allocation was set aside for rehabilitation approximately 10km of road which consists of pothole repairs, slurry seals and asphalt resurfacing. This project was awarded late in the financial year due to compliance to processes and will therefore, run into the 2015/2016 financial year, where a further R6m will be allocated for a second phase of the same.

The roads rehabilitation plan for the Municipality will go a long way in improving the condition of our roads. About R12m has been allocated to this project for the 2014/2015 and 2015/2016 financial years.

The table below illustrates the roads financial performance, comparing three financial years. Roads did not have operational revenue. However, a number of capital projects for the reported financial year were related to roads.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

TABLE 7: FINANCIAL PERFORMANCE 2014/15: ROADS

Details	2012/13		2013/14		2014/2015		
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational	No income collected	No income collected	No income collected	No income collected	No income collected	No income collected	No income collected
Expenditure:							
Employees	3 617 089,36	4 870 224	4 658 224	3 853 996,69	3 752 324	4 273 350	4 611 684
Repairs and maintenance	2 103 005,61	8 244 482	4 450 000	2 422 862,20	6 659 500	6 663 800	4 824 513
Other	2 551 866,50	6 427 983	9 883 329	3 638 929,59	8 111 737	9 453 865	4 474 756
Total operational expenditure	8 271 961,47	19 542 689	18 991 553	9 915 788,48	18 523 561	20 391 015	13 910 962
Net	(8 271 961)	(19 542 689)	(18 991 553)	(9 915 788,48)	(18 523 561)	(20 391 015)	(13 910 962)

WASTE WATER (STORMWATER DRAINAGE)

Under this unit (within Technical Services), storm water drains are constructed by contractor building roads and which then meant the Municipality's role is maintenance through cleaning drains, jet blasting to clear the drains.

The storm water management system project for the Khayelisha housing project has reached 70% completion.

However this was not done regularly due to excessive costs of hiring the jet blasting machine and this is rather challenging as the drains are prone to blocking causing the roads to be unsafe during rainy seasons. The Municipality is currently working on securing funds to purchase its own machine to limit costs and improve service delivery.

The table below illustrates the storm water financial performance, comparing three financial years.

TABLE 8: FINANCIAL PERFORMANCE 2014/15: STORM WATER SERVICES

Details	2012/13	2013/14		2014/2015			
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue No (excl. tariffs)	Income	No Income Collected		No Income Collected			
Expenditure:							
Employees	1 876 804.94	2 429 432	2 338 082	1 969 298	1 955 178	2 150 114	2 159 378
Repairs and maintenance	601 476.46	3 667 313	2 387 313	646 519	3 312 525	1 961 273	793 048
Other	484 962.27	2 369 759	1 290 744	59 805	3 595 780	1 142 062	50 423
Total operational expenditure	2 963 243.67	8 466 504	6 016 139	2 675 622	8 863 483	5 253 449	3 002 849
Net	(2 963 243.67)	(8 466 504)	(6 016 139)	(2 675 622)	(8 863 483)	(5 253 449)	(3 002 849)

Storm water capital projects included construction of new storm water lines and drains in Mpophomeni, where new roads had been constructed.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

2.1.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON OVERALL PERFORMANCE OF ROADS AND STORM WATER SERVICES:

The human, plant and equipment resources within the Technical Services Department is severely constrained which affects performance as per the set targets. The excessive time for processes to be completed in the course of providing services is a challenge and this is also attributed to the shortage of staff. Such constraints have also been felt through what has been perceived as excessive overtime required for the limited number of employees to put in in order to get the work done.

In order to overcome the challenges, the Department needs to be resourced to norms and standards for a Municipality of our size. Without the tools and the means to achieve the department cannot be expected to perform.

Continuous liaison with other spheres of Government is key to unlocking challenges where this consultation is required. However, this does create time delays for the delivery of projects and services.

The biggest measure for improvement will be implementation of the revised Departments structure, and also filling of vacancies.

WASTE WATER (STORMWATER DRAINAGE)

The vehicle Licensing unit falls within the community services department and is open daily to render and licensing services required by the community.

In the financial year under review, the licensing section ensured that additional staff for Learners and Vehicle Licensing are hired as service delivery was seriously hampered. This has resulted in improved Service delivery on Learners and vehicle Licensing.

With regards to law enforcement, there were several roadblocks that ensured more than 40% improvement of prosecution compliance.

The table below illustrates the vehicle licensing financial performance, comparing three financial years.

TABLE 9: FINANCIAL PERFORMANCE 2014/15: VEHICLE LICENSING DEPARTMENT

Details	2012/13			2013/14			2014/2015		
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget
Total operational expenditure	7 540 203,16	15 634 400	15 103 815	26 279 601	12 838 609	28 384 515	24 321 555		
Employees	5 753 630,39	6 392 490	6 369 222	6 610 685	7 130 894	7 231 531	7 572 776		
Repairs and maintenance	9 378 94,33	320 811	253 534	161 471	271 281	222 383	209 829		
Other	3 458 285,21	5 325 196	4 788 126	15 144 958	5 195 188	16 249 444	13 057 410		
Total operational expenditure	9 378 947,33	12 038 497	11 410 882	21 917 114	12 597 363	23 703 358	20 840 015		
Net	(1 838 744)	3 595 903	3 692 933	4 362 487	241 246	4 681 157	3 481 540		

2.2.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON OVERALL PERFORMANCE OF TRANSPORT:

Challenges encountered during the financial year under review (2014/2015) included; traffic Patrol vehicles lease ending, traffic Warrants not being executed due to staff shortage, lack of Traffic and Crime Bylaws restricted enforcement.

In order to overcome the challenges, there has been movement from time to time of existing staff to assist with traffic administration, which meant the need to obtain approval and support from Management for additional staff transfers. Council approval has also been obtained for proposed Traffic & Crime By-laws

In the ensuing financial years, this section is planning to implement approved rank structure for Officers, ensure that additional vehicles are acquired for improved enforcement and ensure that available enforcement technology is acquired for enforcement and lastly, to ensure implementation of bylaws.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

3. COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning and local economic development.

3.1 PLANNING

The main objectives of town planning are to provide local development and encourage public participation to the members of the communities. The main key performance area is to review the Spatial Development Framework as required by the Municipal Systems Act and to extend the town planning schemes to the areas that were previously not covered by the town planning scheme. Town Planning. The other objective is to process all development application and enforce the town planning scheme as required by the KwaZulu-Natal Planning and Development Act. Delegations to perform certain duties were approved by Council and advertised in 2012 as required by the KwaZulu-Natal Planning and Development Act.

The planning section of the department ensured that compliance with the PDA, as well as the building and environmental regulations was adhered to.

The table below illustrates the planning financial performance, comparing three financial years.

TABLE 10: FINANCIAL PERFORMANCE 2014/15: PLANNING

Details	2012/13		2013/14		2014/2015		
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational expenditure	7 540 203,16	15 634 400	15 103 815	26 279 601	12 838 609	28 384 515	24 321 555
Employees	5 753 630,39	6 392 490	6 369 222	6 610 685	7 130 894	7 231 531	7 572 776
Repairs and maintenance	9 378 94,33	320 811	253 534	161 471	271 281	222 383	209 829
Other	3 458 285,21	5 325 196	4 788 126	15 144 958	5 195 188	16 249 444	13 057 410
Total operational expenditure	9 378 947,33	12 038 497	11 410 882	21 917 114	12 597 363	23 703 358	20 840 015
Net	(1 838 744)	3 595 903	3 692 933	4 362 487	241 246	4 681 157	3 481 540

There were no capital projects under the planning section

3.1.1 CHALLENGES AND MEASURES FOR IMPROVEMENT ON OVERALL PERFORMANCE OF PLANNING:

All planning requirements as per legislation were adhered to. With compliance regulations and documents submitted in time to council and all other relevant structures.

3.2 LOCAL ECONOMIC DEVELOPMENT

The local economic and development section has also had a great financial year in that a number of new LED projects were introduced. These include the business enhancement and retention project, the annual SMME business seminar and the crafters market implemented together with the Zulu Mpophomeni Tourism Experience (ZMTE). Another big achievement for the section was getting the Mpophomeni Tourism Gateway to open for business

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

TABLE 11: LED Sectors

Economic Industry	Gross Value Added (R mill) at 2005 Prices					Average annual Growth Rate 2006 - 2010)
	2006	2007	2008	2009	2010	
Primary Sector	489	491	534	482	484	-0.2%
Agriculture, forestry and fishing	477	479	522	468	471	-0.4%
Mining and quarrying	12	12	11	14	13	3.1%
Secondary Sector	765	814	843	777	812	1.5%
Manufacturing	622	659	677	609	641	1.1%
Electricity, gas and water	59	54	48	41	41	-11.4%
Construction	84	102	118	128	129	15.5%
Tertiary Sector	1937	2078	2183	2219	2266	4%
Wholesale and retail trade, catering and accommodation	436	473	489	493	504	4.9%
Transport, storage and communication	281	304	317	320	327	5.2%
Finance, insurance, real estate and business services	569	612	651	654	665	5.4%
Community, social and personal services	271	288	302	304	307	4.4%
General government	380	400	425	449	462	6.7%



Service Delivery Performance Report (continued)

for the year ended 30 June 2015

The table below shows the staff complement of the LED unit.

TABLE 12: HR CAPACITY OF UMNGENI MUNICIPALITY TO IMPLEMENT LED

Municipality	2012/13		2013/2014		2014/15	
	posts approved	filled posts	posts approved	filled posts	posts approved	filled posts
Number:	9	6	8	6	8	6

The table below reflects the number of jobs created through municipalities' local economic development initiatives, including capital projects. The purpose of this indicator is to assess and reveal the extent to which municipalities contribute towards creating jobs through the implementation of capital projects, as well as their own LED initiatives.

In the financial year 2014/2015, the municipality had 151 EPWP employees (including Food for waste).

TABLE 13: JOB CREATION

	2012/13			2013/2014			2014/15		
	EPWP jobs	LED jobs	Co-ops jobs	EPWP jobs	LED jobs	Co-ops jobs	EPWP jobs	LED (food for waste jobs)	Co-ops jobs
No	68	10	0	90	9	0	56	95 + 15 youth in waste	0

TABLE 14: LED/ CAPITAL PROJECTS AND EMPLOYMENT STATUS

NO.	PROJECT	DESCRIPTION	STATUS	VALUE	L.M. WARDS	OUTCOME
1.	Extended Public Works Project	Employed on various construction projects	Currently 56 employed and employment will end at various stages as projects come to an end	R190 000/ month	All wards	56 Employed
2.	Food for Waste Project	Employed to address waste minimisation and address illegal dumping	3 year programme with employment contribution from LM increasing each year and COGTA reducing each year. Current group 12 month contract completed in July 2015	R97 000/ month X 12 = R1 126 000/ annum	All wards	95 employed contracts ended 31 July 2015
3.	Youth in Waste	15 Youth educators contracted to educate community on waste matters	Contracts end in August 2015, recommended by Kabochedie to be extended by further 6 months	Unknown as they are not paid by the Municipality.	All wards	Department of Agriculture through Kabochedie

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

3.2.1 New LED Projects

TABLE 15: LED PROJECTS

NO.	PROJECT	DESCRIPTION	STATUS	VALUE	WARDS	OUTCOME
1.	Business Retention and Expansion (BR&E) Programme	This is intended to facilitate economic growth of uMngeni Municipality through Promotion of business expansion and retention.	Launched in October 2014, the programme is a joint initiative of uMngeni Municipality and Trade and Investment KZN.	Sponsored	All	This is ongoing as TKZN is working on the BR&E strategy
2.	SMME Business Seminar	The seminar was themed: "Growth and developing of SMMEs". This annual event intended to deliberating on issues pertinent to the development of local SMME's and in turn together craft intervention programmes.	The Seminar took place in June 2015 and is intended to be an annual event.	R50 000	All	It was recommended at the end of the Seminar that the SMME forum looks at key development issues, to train SMME's on compliance, quality product development and packaging and look at participation of SMME's in municipal economic development opportunities. These recommendations have prompted the municipality together with the SMME forum to start working on intervention programmes.

3.2.2 CHALLENGES AND MEASURES FOR IMPROVEMENT ON OVERALL PERFORMANCE OF LOCAL ECONOMIC DEVELOPMENT:

Staff shortage is the biggest challenge for the LED section, and this is one of the challenges that MANCO is seeking to address with the revision and implementation of the new structure.

4. COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries, registry services, museums, community halls, cemeteries and crematoria, office of the rights of a child, senior citizens' programmes, social programmes and theatres.

The activities implemented within this component are activities of various departments within the municipality. Libraries and museum as well as some of the social services are within the Community Services Department, Community halls and Archives (Registry) are within Corporate Services Department and office of the rights of a child (youth programme), senior citizens' programmes and youth Services are within the Office of the Municipal Manager.



4.1 CEMETERIES AND CREMATORIA

The top three service delivery priorities within this section are; assisting rural communities with burials, upon receipt of a formal request and confirmation by the ward councillor; to maintain records of burials/ash internment at all 5 municipal cemeteries and 1 remembrance wall (Hilton), to ensure that due preparation is done for burials and assistance available through the municipality to families.

Community Services also directs the applications for pauper burials when necessary.

To ensure that there is sufficient burial space, the municipality is in the process of introducing a new cemetery in Lions River.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015



4.2 MUSEUM

The number of museums within the Municipality is increasing and this is indeed a positive milestone in ensuring that the heritage of this area is upheld and showcased to all residents and tourists alike.

Even though the Municipality's main Museum in Howick was challenged by near disastrous misfortune which halted operation for almost the whole financial year. The museum is undergoing renovations and is now at 90% completion. At the sometime, the Zulu Mpophomeni Tourism Experience (ZMTE) launched the Mpophomeni Museum which has amazingly showcased the SAMCOL strike events through a visual exhibition.

The Mandela Capture Site has been a resounding success with tourism and economic development growing exponentially. A grant of R54m from COGTA is allocated to the Exhibition Centre and forms part of the greater Master Plan for the site. National and International interest has been phenomenal.

4.3 LIBRARIES

The municipality has 4 fully functional libraries that are subsidised by the Department of Arts and Culture. These libraries are; Hilton library, Mpophomeni Library, Howick West Library and Howick Library Two libraries (Mpophomeni and Howick West) have cyber cafes, this entails internet access as well as computer literacy classes. In the reported financial year, two libraries underwent renovations.

The Howick West library was unfortunately flooded during the heavy rains experienced in summer that it had to be renovated in order to clear it off the damages experienced. At the same time, the Howick West library staff successfully set up a fully functioning library at the Howick Secondary school.

The Howick Library is also undergoing renovations that will be wrapped up in the next financial year, 2015/2016. These renovations can be reported as the greatest success for the library as the library being awarded the tender for renovating and the creation of the kiddie's toy library.

Through the channels of communication and consultation the South African Library for the Blind has consulted with uMngeni Municipality, KZN-Provincial Library and the Mpophomeni Library to establish the library for the Blind at Mpophomeni Library in 2014. The workshop/training was held on the 29th July 2014, the workshop was attended by the library staff, CBRs, Visually Impaired people and the Zenzeleni Project. The Workshop / Training was on how to assist the visually impaired people to use Daisy Machine, the Document Reader, and to do presentation on the objectives of the project. The Library has already received the full equipment for the Library for the Blind (i.e. PC, Daisy Machine, the Literature and the furniture.



Two of the local visually impaired signed the forms to join and become members. Meanwhile, the Hilton library has successfully launched a toy library in the children's section.

4.4 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

As per the reporting requirements, this section is for reporting on Child Care, Aged Care and all other social programmes. However, it is appropriate to report on sections/ units within the municipality that are responsible for child care, aged care and all social programmes. These units/ sections belong to the Office of the Municipal Manager and Community Services Department.

The units/ sections that will be reported on are the; youth office, the special programmes unit (incl. senior citizens and disability programmes), Operation Sukuma Sakhe (incl. HIV/AIDS).

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

4.4.1 The Youth Office

The youth office remains a brainchild of the NYDA. In the reported financial year, the Municipality signed a further agreement with the NYDA for the running of a functional local youth office. There is no monetary support received for the running of the office. However the packages offered by the NYDA to young people have gone a long way as young people are afforded the opportunity to apply for business grants, get access to information and career guidance etc.

The youth office services include firstly, all the services offered by the NYDA (there is an active referral system), then outreach activities (including school visits), CAO tertiary applications, walk in services (incl. job hunting and CV development), life skills workshops, and tertiary institutions registration to new students.

In the year under review, the youth office conducted 3 workshops (job preparedness, Pregnancy and substance abuse and life skills workshops). More than 100 students were assisted with the CAO tertiary applications, 7 students were assisted and secured bursaries to study in the medical field (3 in Pretoria, 1 at Greys Hospital and 3 in Cuba). 24 new tertiary students (from uMngeni Municipality) were assisted with registration fees to register at various tertiary institutions. The Municipality further assisted Palesa Hlela, a local renowned swimmer who represented South Africa at the swimming tournaments held in Zimbabwe.

The Youth Office recorded 7025 young people assisted in the office as walk-ins (this is based on the registers kept in the youth office).

In the reported financial year, the discussion and plans for implementation of the Youth Build project between uMngeni Municipality and the NYDA (National office) intensified. Thus at the end of the financial year, the two partners were engaged with plans for recruitment of 100 young people, final discussions with the training institution (UTVET) and plans for the launch. Implementation of the programme will start at the beginning of 2015/2016 financial year. Both partners have pledged R2m each for the implementation of the R4m worth project for the development of youth skills.

The Office of the rights of a child (ORC) is still an operational component of the Outreach section. The community based ORC committees are operational. 10 Young people from different wards in the Municipality attended the Children's Week activities in Kokstad.



Service Delivery Performance Report (continued)

for the year ended 30 June 2015

Ambassador.

The youth office hosted a number of successful June month events, which saw collaboration with various community groups. The events were as follows;

TABLE 16: YOUTH MONTH EVENTS

No.	EVENT	DATE	OUTCOMES
1.	uMngeni Dance Club – Competition	13 June 2015	Young people are encouraged to take part in dance sport.
2.	Ziyenzeka Explosion (5km Fun run, soccer and netball events, motivational talks by prominent sportsmen/women) for all wards Izwi Youth Awards	16 June 2015	-Young people attended in numbers - The event is now an annual event and the Municipality is happy to partner with the event organisers as such events activate youth and prepares them for the Mayoral games, KwaNaloga games as well as SALGA games.
3.	(Awarding youth achievements – all wards)	27 June 2015	-The event showcased a number of young people that have done well but had not yet been recognised locally. - As affirmed by the event organisers, the awards created as a platform to facilitate delivery of youth development and support programmes for youth by all other government departments and stakeholders with youth interest.



4.4.2 Special Programmes

The special programmes are an initiative of the Office of Premier, therefore the Office together with the UMDM play a pivotal role in ensuring that such programmes at local level are supported.

The reported financial year was indeed a success for the section. A special programmes forum was launched on 26 March 2015 and has since been actively involved in steering issues of persons that fall within groups that are referred to as vulnerable groups.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015



The senior citizens programmes geared towards promotion of healthy aging and protection of the aged from abuse took place as follows; the District Golden games, capacity building workshop, and senior citizens training that took place on 23 2015. Furthermore scheduled and unscheduled meetings with senior citizens clubs took place.

In the financial year under review, the municipality participated in the district games with 70 senior citizens from uMngeni Municipality. 5 were then selected to participate in the Provincial games and one went on to National level.

4.4.3 Operation Sukuma Sakhe (OSS)

OSS includes community profiling, HIV/AIDS initiatives and LAC, grants, ID and birth certificate assistance, taking part in ward based poverty alleviation war rooms, coordinating then Local Task Team interventions / meetings. On the other hand, OSS has been the biggest achievement for the municipality within social services. Community profiling has been carried out in 10 wards. Out of that process a number of people have been assisted to get grants, IDs and certificates. War rooms, which are part of OSS requirements, are taking place within all wards. The war room meetings are chaired by ward Councillors together with war room conveners from the various government departments.

HIV/AIDS Teenage pregnancy and social ills project was launched in Mpophomeni. Two of the LAC partners entered into a Service Level agreement with the Department of Education to enable them to do HIV/AIDS work within the High Schools of uMngeni Municipality. The aim and desire of the project was to curb the alarming high rate of pregnancy and new HIV/AIDS infection amongst teenagers.

The section's biggest project was the HIV/AIDS EPWP project where funding was received to roll out the project which employed 5 beneficiaries as Learner Support Agents (LSA's) who were deployed to Government schools from May to July 2015. The LSA's on a peer level, provided education on Teenage pregnancy, HIV/AIDS and other social ills to the learners. In another tier the project provided temporary employment for the beneficiaries who received a stipend of R1800-00 per month.

Furthermore, through the LAC continuous HIV/AIDS/Health outreach campaigns have been held to provide education and services in the communities through partnerships with various stakeholders. There has been ongoing Local Aids Council meetings. The section further held two major and successful Operation Sukuma Sakhe, Operation Mbo programmes, where Government Service were brought to the communities of Ward 3 and 9.

4.5 CHALLENGES AND MEASURES FOR IMPROVEMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL

At the end of the first half of the financial year under review, the Municipality bid farewell to Acting Manager: Youth Development. This left the already under staffed youth office with a void that was temporarily filled by unofficially appointing the Manager: Performance Management System to act in the unit. MANCO is currently working on a plan to fill the vacancies in the youth office.

Stringent financial constraints of the Municipality are extremely limiting in executing the special projects.

The major challenge in the HIV/AIDS section is the overbearing workload of one official doing both HIV/AIDS and Operation Sukuma Sakhe programmes at once which hinders optimal performance.



Service Delivery Performance Report (continued)

for the year ended 30 June 2015

5. COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

Environmental protection includes the function carried out through the Department of Planning and Development in assessing EIAs and monitoring EMPs related to developments. Assisted by Technical Services (Parks, Gardens and Environment) in terms of CARA legislation and maintenance of conservation areas.

5.1 POLLUTION CONTROL

Pollution control still rests with the uMgungundlovu District Municipality, and is monitored by the Provincial Department of Agriculture and Environmental Affairs, in liaison with Environmental Management and Parks, Gardens and Environment, with assistance from Disaster Management (Community Services) when applicable.

Sustained liaison and cooperation assists in improving performance and response to contain pollution. Support in terms of provision of litter control and refuse collection has been introduced and an Indigent Policy is in place to assist in terms of benefits to alleviate poverty. The Provincial Department of Agriculture and Environmental Affairs management projects within the municipal area aimed at improving the lives of those in poverty stricken areas. In addition the District Municipality, which addresses water and sanitation-related matters, has engaged with communities in awareness campaigns in partnership with NGOs and CBOs within our municipal area.

5.2 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER

The Municipality has engaged in two Biodiversity Stewardship Programmes, which are in partnership with Ezemvelo KZN Wildlife and the Provincial Department of Agriculture and Environmental Affairs, the one is the ultimate proclamation of a Protected area at Beacon Hill, Howick, and the other the ultimate proclamation of a Nature Reserve at Fort Nottingham.

In partnership with NGOs and CBOs, conservation areas are maintained and utilised by schools and communities, with the inclusion of awareness programmes and promotion of such areas as a wealth for our municipal area and communities.

The reported achievements are due to the close cooperation and liaison with interested and affected parties and the relevant Provincial Department, District Municipality and NGOs and CBOs. In addition the strong support shown by Council and Senior Management has ensured progress with our targets.

Future projects which will ensure inclusion of communities living in poverty are under consideration; however, there are NGOs and CBOs already aiming towards initiating Biodiversity-related projects, including those relating to wetlands (in Mpophomeni).

6. COMPONENT F: SECURITY AND SAFETY

This component includes: police; disaster management, licensing and control of animals, and control of public nuisances, etc.

The mandate of the municipal traffic police is road safety education and law enforcement (traffic and bylaws). This includes ensuring road worthiness, executing road blocks, diversions and ensuring safety at local events (road users and event participants). Furthermore, licensing and control of animals as well as public nuisance is enforced through bylaws by the traffic officers. Through protection services and disaster management, the municipality is a member of the District disaster management advisory forum, community policing forum and has an in-house local disaster management advisory forum.

6.1 TRAFFIC POLICE

The traffic police of the municipality are responsible for law enforcement (bylaws, speed camera prosecution), road safety and road worthiness. The challenges encountered by this unit are mainly to do with human capital and working resources (i.e. vehicles). Currently with the mentioned challenges, the traffic police do not perform their duties after 18:00hrs except for when they are on standby and this further challenges safety of community members using the roads at night.



Service Delivery Performance Report (continued)



for the year ended 30 June 2015

6.2 DISASTER MANAGEMENT, ANIMAL LICENSING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER

uMngeni Municipality's disaster management unit deals with public safety, raising awareness on health hazards, prevention of the spread of communicable diseases. Attending to disastrous incidents (minor and major) and this is with an aim of providing relief to the affected community. However, currently the municipality does not have a fully flagged disaster management unit and hence rely on the uMgungundlovu District Municipality disaster management. Furthermore, the municipality has reviewed the disaster Management Plan in line with the Act (Disaster Management Act 57 of 2002).

The MEC for Cooperative Governance assessed the IDP uMngeni Municipality and in her observation through letter sent to the municipality, it was found that uMngeni Municipality was not compliant on issues of Disaster Management. In response to that, the Department of COGTA, UMDM and uMngeni Municipality came together for the purposes of developing Disaster Management Sector Plan for uMngeni Municipality.

In compliance with the Act, uMngeni Municipality has developed a Disaster Management Sector Plan. This plan will assist in proactive reduction and elimination of vulnerability and address displacement of society and loss of life and property from disaster through multi-sectoral and integrated approach with active participation of all role players.

TABLE 17: FINANCIAL PERFORMANCE: DISASTER MANAGEMENT

Details	2012/13	2013/14 Actual	Original budget	2014/2015 Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue		No Income	No Income	No Income	No Income	No Income	No Income	No Income
Expenditure:			No Income	No Income	No Income			
Employees			No allocation					
Repairs and maintenance		5055,49		No allocation		58 080	Nil	Nil
Other		942939,00	168 445	63 445	16 494	269 042	201 121	31 319
Total operational expenditure		942944,34	438 427	190 103	22 879	267 122	201 121	31 319
Net		(942 944,34)	(606 872)	(253 548)	(39 374)	(267 122)	(201 121)	(31 319)

No capital projects under disaster management

6.5 CHALLENGES AND MEASURES FOR IMPROVEMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT OVERALL:

The municipality ensures that all disaster call outs are attended to and coordination of necessary interventions. We are also in partnership and member of Lions River Fire Protection Association, DUCT etc. However this could be better implemented if the municipality had a fully-fledged disaster management unit as it would allow for immediate intervention and would further allow for more programme to be implemented in the quest to prevention and reduction of reported incidents.

Despite awareness programmes conducted in informal settlements (aimed at ensuring an alert informed and self-reliance) negligence handling of flammable substance continues in these areas. It impacts negatively on finances of the municipality in that this Municipality has to purchase and supply relief material to the displaced people.

Through coordination of disaster management incidents to all role players e.g. SASSA and Social Development and NGO's for the supply of disaster management relief, the challenges were addressed.

In future, this section will facilitate development and adoption of uMngeni Disaster Management Sector Plan which has all programme, purchase of relief materials for the displaced and consider adding more human capital to deal with disaster management on a daily basis.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

7. COMPONENT G: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

7.1 SPORT AND RECREATION

The sports and recreation section within the Municipality falls within the youth office. However, the Municipality has not filled the vacancy of a Sport coordinator. This proves really strenuous for the Career Development Officer, as he has to also oversee the responsibilities of this section.

In January 2015, Her Worship the Mayor, awarded certificates to the young people that participated in the SALGA games (and won gold, silver and gold medals).

The SALGA games took place in October 2014 after the Mayoral games that were used a selection platform for the provincial games.



The capital project that was projected for the report financial year on sports and recreation was the construction of Mpophomeni Sports field. At the end of the financial year, phase one was completed and the project will be going into phase two in the next financial year 2015/2016.

8. COMPONENT H: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services. These would be, the Executive and Council office which is the office that houses the Mayor, Councillors and the Office of the Municipal Manager. Financial Services headed by the CFO. Corporate Services which has the human resources services, ICT and property services.

The reported financial year has challenged the above mentioned sections with a mammoth task of ensuring strict policy implementation and policy controls as the municipality keeps striving for a better financial position and desire to be the best performing municipality.

8.1 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councillors; and municipal manager).

In November 2014, the Councillors, Top Management, the Middle Managers and Unions' Shop Stewards embarked on a three days Strategic Workshop at Didima, Drakensberg. This process was aimed at reviewing the municipality's strategic vision, mission, goals and strategic objectives in order to ensure that all IDP projects are aligned to these. This was also a process to reflect and craft new strategies collectively. The strategic document compiled from the workshop outcomes is still a draft working document. This was indeed a great start in preparing for the new financial year 2015/2016.

However, the vacancy of the Municipal Manager poses a great challenge for the Municipality as there is significant inconsistency in the administration systems implemented. The recruitment process is ongoing.

It is also to be reported that the Municipality's Public Participation section has made great progress in ensuring improved convening and attendance of meetings, sector reporting and councillors' reports.

This was achieved through a policy on ward committee stipends and support plan, both adopted by Council earlier in the financial year under review.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

8.2 FINANCIAL SERVICES

The main services rendered by the finance department are revenue/ billing, budget, supply chain management and expenditure. These services are essential to the functionality of all internal departments.

The Financial Management Area services are broken down as follows:

Budget Management	<ul style="list-style-type: none">• Budget and Tariffs
Supply Chain Management	<ul style="list-style-type: none">• Tenders• Quotations• Creditors Database
Expenditure Management	<ul style="list-style-type: none">• Payments• Remuneration• Insurance• Financial Systems
Revenue Management	<ul style="list-style-type: none">• Billing• Rates• Credit Control• Debt Collection• Cash Receipts and Banking• Customer Care
Financial control and Cash Management	<ul style="list-style-type: none">• Cash Management• Reconciliations• Annual Financial Statements
Management Accounts and Financial systems	<ul style="list-style-type: none">• Management Accounts

The Municipality has had a better financial year and listed below are some of the municipality's greatest strides:

- The Municipality obtained an unqualified audit opinion for the 2013/2014 audit.
- Funds were ring fenced for repairs and maintenance i.e. R6 million and R2.8 million for potholes and resurfacing and halls respectively.
- The Municipality has introduced Standard Charter of Accounting (SCOA) internally, as the National Treasury new regulations.
- The Finance Department has prioritised compliance in terms of MFMA.
- Interim Finance Committee continues to convene bi-monthly meeting to ensure prudent financial management by the Municipality.
- The Municipality's leadership embarked on a campaign which included Amnesty for long standing debtors. This was done as part of the revised 'Revenue Enhancement' strategy of the Municipality. The amnesty was only open to residential consumers (households), and excluded municipal employees and industrial consumers. This campaign resulted to recovery of R1 982 816.
- Most importantly, the Municipality appointed a Chief Financial Officer in January 2015.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

8.8.2.1 SUPPLY CHAIN MANAGEMENT

TABLE 18: CONTRACTS REGISTER

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	SERVICE LEVEL AGREEMENT SIGNATURE DATE/AWARD DATE	CONTRACT PERIOD	START - DATE	END- DATE	SUPPLIER / SERVICE PROVIDER	AWARD VALUE	INCRIMENT APPLICABLE PER PERIOD	DELIVERABLES
1	Bid 07/201 2	Debt Collection Consultants	11-Feb-12	3 years	2/11/2012	31/10/2015	GNG	10% prof fee	N	Debt Consultants
2	Bid 07/201 2	Debt Collection Consultants	11-Feb-12	3 years	2/11/2012	31/10/2015	TWJ	10% prof fee	N	Debt Consultants
3	Bid 07/201 2	Debt Collection Consultants	11-Feb-12	3 years	2/11/2012	31/10/2015	NCIS	10% prof fee	N	Debt Consultants
4	Bid 07/201 2	Debt Collection Consultants	11-Feb-12	3 years	2/11/2012	31/10/2015	Matthew Francis	10% prof fee	N	Debt Consultants
5	Bid 08/201 2	Short Term Insurance	1-Nov-13	3 years	10/10/2012	30/06/2015	Indwe Risk Services	31,61,93,00	Y	Short Term Insurance
6	Bid 09/201 3	Panel of Project Managers-CAT C	5-Jul-13	2 years	5-Jul-13	30/06/2015	Akande Projects	14% prof fee	N	Electrical Consultants
7	Bid 09/201 3	Panel of Project Managers-CAT B	5-Jul-13	2 years	5-Jul-13	30/06/2015	Esoconquest Engineers	12% prof fee	N	Civil Consultants
8	Bid 09/201 3	Panel of Project Managers-CAT B	5-Jul-13	2 years	5-Jul-13	30/06/2015	Sukuma Engineers	8% prof fee	N	Civil Consultants
9	Bid 09/201 3	Panel of Project Managers-CAT B	5-Jul-13	2 years	5-Jul-13	30/06/2015	Excellent at Work Engineers	12% prof fee	Y	Civil Consultants
10		Software Licence	1-Jan-15	1 year	1/1/2015	30/12/2015	BYTES	pricing schedule	Y	SAMRAS System & Support agreement
11	Bid 14/201 3	MMS Sent Statements for Municipal Accounts		3 years	2/1/2014	30/12/2016	Ntumi Telecommunications	MMS-RJ 20 (up to 100 kb), SMS (max 160 characters) R0.30	N	MMS & SMS Communication/Billing Service
12	Reg 32 Appointment	Compilation GV-General Valuation Roll and Supplementary Valuation Roll		5 years	1/7/2014	30/06/2019	Mills Fitchet (Pty) Ltd	61,81,822,00	N	
13	Bid 35/201 3	Cash-in-Transit	8-Oct-13	3 years	10/08/2013	30/09/2016	Fidelity Cash Solutions	270,756,00	Y	Cash-in-transit (SBV) service
14	36 of 201 3/201 4	Animal Pound	15/04/2015	1 year	Apr-15	Mar-16	Cow Catchers CC	180,000,00	Y	
15	QTN 0513/14	Council Tablets					Nashua PMB	147,398,75	Y	
16	QTN 0313/14	Software Licence	13/01/2014	2 years	13/01/2014	12/1/2016	Tevtal Technologies	199,976,40	N	
17	Reg 32 Appointment	Patching of Potholes	5-Feb-14	3 years	1/5/2014	30/04/2017	PRO-PAINT SA Pty Ltd	pricing schedule	Y	
18		ADSL Line & Cloud back-up	1-Jul-14	1 year	1/7/2014	30/06/2015	SIGMA IT	74,966,40	Y	
19	Reg 36 Appointment	Mayoral VDP Protection Service	7-Jan-14	1 year	1/7/2014	30/06/2015	Zenale Security	478,800,00	Y	

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

8.2.2 CHALLENGES AND MEASURES FOR IMPROVEMENT ON THE PERFORMANCE OF FINANCE DEPARTMENT OVERALL:

Revenue collection remains the municipality's biggest financial challenge with the debtors' amount as at 30 June 2015 being R98 202 731.97. In order to address this, the municipality will further strengthen implementation of the revenue enhancement strategy in order to ensure a healthy cash flow of the municipality.

The deviations reported in 2014/2015 amounted to R2 225 435, 81. These were reported and noted by Council. Over and above the reported deviations, there was unauthorised expenditure amounting to R57 522 337 and this is mainly due to the non-cash items being depreciation and amortisation as well as debt impairment. The fruitless and wasteful expenditure amounted to R825 024.

To improve on these, the Supply Chain Management (SCM) unit introduced the procurement plan which was never adhered to. However going forward, the SCM unit together with the CFO will ensure implementation and adherence (through strict measures) to the systems in place in order not to incur any unauthorised and irregular expenditure.

8.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES



This component includes: Information and Communication Technology (ICT) services.

One of the major highlights in the financial year under review was the revamp and completion of the Municipality's Website which is now operational and easily accessible to all.

The unit was further able to improve the Server room controls, complete the LAN cabling and computer upgrades completed.

The table below lists the automated systems currently utilised by various Departments at the municipality.

TABLE 19: UMNGENI MUNICIPALITY'S IT SYSTEMS

1	SAMRAS	Financial Management System
3	GeoDebt	Finance – Credit Control
4	UMTRAFMAN	Traffic Fines Management System
5	AcuGlobe	GIS
6	Tevtal Call Centre	Credit Control
7	TelTrace	Telephone Management System
8	VIP Payroll	Pay roll
9.	Geotab	Fleet Management

The ICT unit has an IT governance policy in place which is implemented through the master systems plan. This plan is aimed at ensuring that the municipality has the necessary systems in place in to ensure that the municipality's performance improves (i.e. financial systems reported) and in future the complaints management system, automated performance management system, audit management system etc. will be implemented.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

The server was upgraded to ensure effectiveness and efficiency in backing up all information as part of the ongoing risk management system. There is a business continuity plan aligned to the ICT governance strategy and the master systems plan. Furthermore, there are systems and controls in place to ensure that only authorised users have access to the Municipality's ICT systems.

8.3.1 CHALLENGES AND MEASURES FOR IMPROVEMENT OVERALL PERFORMANCE ON INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Budgetary constraints limits the provision of Qualitative Service Delivery versus implementation of certain projects for automated document management, complaint's management and provision of an asset register.

One of the issues raised by the Auditor General in the previous audit was related to the non-availability of an approved ICT governance strategy. This has been addressed through firstly, management workshop on ICT governance in the second half of the financial year. Secondly, following the workshop was the revision of the draft ICT governance policy that was already in place and approved by Council.

Some of the measures put in place to ensure improved performance of the ICT unit are; budget monitoring and provision of desired incomplete of projects; Setting up of an ICT Steering Committee to come up with a plan to ensure that ICT projects are achieved. By establishing a steering committee and; Breaking down large projects into smaller phases to accommodate budget constraints.

Through the assistance of the steering committee the outstanding projects from the financial year under review will be implemented in the next financial year. The ICT services unit has plans in place to ensure high availability on all services rendered to the organisation.

9. COMPONENT I: HUMAN RESOURCES MANAGEMENT

uMngeni Municipality's Human Resources Management Office exists under the guidance of Corporate Services Department.

The HR Office has a mandate in particular to carry out the following duties:

- Recruitment, selection and employment;
- Pay and leave administration;
- Staff administration;
- Grading and remuneration;
- Sick leave management;
- Employee wellness;
- Rewards and recognition systems;
- Talent management and succession planning;
- Human Resource Development; and
- Staff morale, organisational diagnostics and perception studies.

The Corporate and Human Resources functions and responsibilities address many of the IDP requirements to ensure effective service delivery and community development, these include:

1. To Contribute towards Employability of Youth and Community through internship programme.
2. To ensure a competent workforce to achieve organisational objectives.
3. Improve Quality and Management Control Processes.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

9.1 MANAGING THE MUNICIPAL WORKFORCE

The process of reviewing the Human Resources policies and ensuring that these are accessible at all times is ongoing. The range of Policies and HR Management practices in place are as follows:

The table below reflects the status of municipal HR policies in 2014/15.

TABLE 20: HR POLICIES AND PLANS

	Name of Policy	Completed	Reviewed	Date adopted by council or comment of failure to adopt
1.	Attraction and Retention		Draft	Awaiting Assistance from COGTA
2	Code of Conduct for Employees	100%		Incorporated into the induction manual
3	Disciplinary Code and Procedures	100%		Collective Agreement
4	Employee Assistance/ Wellness	100%		Council – 27/08/2014
5	Grievance Procedures	100%		Collective Agreement
6	Job Evaluation	100%		
7	Leave	100%		
8	Occupational Health & Safety	100%		
9	Organisational Rights	100%		Main collective agreement
10	Payroll Deductions	100%		
11	Performance Management Framework		100%	
12	Recruitment Selection and Appointments	100%		27/11/2013
13	Remuneration Scales and Allowances	100%		
14	Skills Development	100%		
15	Retention Policy		Draft	
16	Contingency/ Continuity Plan	100%		Council – 31/7/2014
17	Travel Allowance	100%		27/11/2013
18	Cell phone allowance	100%		27/11/2013
19	Induction Manual			Extended MANCO 05/08/2013
20	Procedure Manual			Extended MANCO 05/08/2013

Part of the duties of the Manager: Corporate Services include ensuring that the municipality's policies and plan are updated/ reviewed and made accessible to employees and the public at large.

9.2 PERFORMANCE REWARDS

The Mid-year performance assessments for Section 57 managers were conducted by the Evaluation panel elected by council. As part of financial austerity measures, Council resolved in 2011 that no performance bonuses would be paid. This resolution has never been rescinded thus no provision for performance bonuses is made when budgeting.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

9.3 CAPACITATING THE MUNICIPAL WORKFORCE

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

The Municipality through Human Resources Development Unit under the Corporate Services Department champions the skills development programme on behalf of the Municipality. Various training interventions are conducted through the Workplace Skills Plan (WSP).

There are training programmes offered to some employees in order to improve the quality and standard of service delivery. The Workplace Skills Plan is developed along the LGSETA guidelines. Almost what is due to the municipality in terms of the training rebates is collected on an annual basis in full.

Whilst the Human Resources Development Unit is tasked to improve the competency of the employees the unit is also responsible to work in partnership with various departments and training providers and communities to improve the level of skills, knowledge and behaviour of our employees and citizens to be active participants in the city and the economic development and growth of the municipality

Capacity Development

The Municipality has several well developed capacity development programmes and systems in place;

1. Annual Workplace Skills Plan
2. Internship Programme
3. Management Training Programmes
4. Councillor Training Programmes
5. Tertiary Institutions' Qualifications/ Programmes

- The municipality currently has 6 interns (this includes 1 in service trainee and 2 Internal Audit trainees).
- 7 Managers attended the Executive Leadership Programme facilitated by the University of Pretoria.
- 5 Councillors attended the Executive Leadership Programme facilitated by the University of Pretoria.
- 16 Staff members were registered at various tertiary institutions, through the study assistance programme.



Service Delivery Performance Report (continued)



for the year ended 30 June 2015

The skills Development Report follows in table 21 below.

Table 21: Skills Development Expenditure

Management level	Gender	Employees as at the beginning of the financial year	Original Budget and expenditure on Skills Development Year 1								
			Learnership		Skills programme & other short courses		Other forms of training		Total		
			Original budget	Actual	Original budget	Actual	Original budget	Actual	Original budget	Actual	
MM and S57	Female										
	Male	1				R39 794.00					R39 794.00
Legislators, Senior Official & Managers	Female	7				R318 108.00					R318 108.00
	Male	10				R317 864.00					R317 864.00
Professionals	Female										
	Male										
Tech & Ass Prof.	Female										
	Male										
Clerks	Female	4				R27 800.00					R27 800.00
	Male										
Service & sales	Female										
	Male										
Plant & Machine Operators	Female										
	Male										
Elementary	Female	3				R82 080.00					R82 080.00
	Male	4				R109 440.00					R109 440.00
Sub Total	Female	14				R427 988.00					R427 988.00
	Male	15				R467 098.00					R467 098.00
Total		29				R895 086.00					R895 086.00

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

Table 22: Employment Equity Status

Occupational levels	Male								Female								Total			
	A		C		I		W		A		C		I		W		Projected		Actual	
	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	M	F	M	F
Top management	2	3	0	0	0	0	1	2	1	0	0	0	0	0	0	0	3	1	5	0
Senior management	12	14	1	2	2	2	3	2	3	5	0	0	1	0	3	2	18	7	20	7
Professionally qualified and experienced specialists and mid-management	17	22	2	2	2	2	3	1	15	20	1	1	6	7	3	0	24	25	27	28
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	27	30	1	1	1	0	3	1	36	37	2	3	3	5	8	5	32	49	32	50
Semi-skilled and discretionary decision making	12	13	1	1	1	1	1	0	2	2	0	0	0	0	1	0	15	3	15	2
Unskilled and defined decision making	45	45	1	1	1	1	3	0	50	57	0	0	0	0	5	0	50	55	47	57
Total permanent	115	127	6	7	7	6	14	6	107	121	3	4	10	12	20	7	142	140	146	144
Temporary employees	4	0	0	0	0	0	0	0	9	0	0	0	0	0	0	0	0	0	4	9
Grand Total	119	127	6	7	7	6	14	6	116	121	3	4	10	12	20	7	142	140	150	153

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

9.4 EMPLOYEE EXPENDITURE

TABLE 23: Employees whose salaries were increased due to their positions being upgraded

BENEFICIARY	GENDER	TOTAL
No positions were upgraded, however, salary scales were reviewed for all employees whose positions had previously been evaluated.		

TABLE 24: Employees whose salary levels exceed the grade determined by job evaluation

OCCUPATION	NUMBER OF EMPLOYEES	JOB EVALUATION LEVEL	REMUNERATION LEVEL	REASON FOR DEVIATION
The Job evaluation process is underway.				

TABLE 23: Employees appointed to posts not approved

DEPARTMENT	LEVEL	DATE OF APPOINTMENT	NO. APPOINTED	REASON FOR APPOINTMENT WHEN NO POST EXISTS
This is not applicable to uMngeni Municipality.				

DISCLOSURES OF FINANCIAL INTERESTS

All Municipal Councillors and staff members have successfully disclosed their financial interests to avoid conflict of interest situation.

9.5 CHALLENGES AND MEASURES FOR IMPROVEMENT OVERALL PERFORMANCE ON HUMAN RESOURCES MANAGEMENT

In August 2014, the Municipality was challenged by the unrest amongst the employees of the Municipality wherein they were demanding parity of Salaries, and demanded to be paid on top notches since they were serving long service with the uMngeni Municipality. Negotiations with all stakeholders resulted in an agreement that paved the way-forward and the salary notch dispute was amicably resolved.

The Municipality has been engaged in the process of drafting Job Description in preparation for Job Evaluations. It is therefore believed that the Parity of Salaries will eventually be resolved when Job Evaluation is exercise is complete.

The general challenge facing not only Corporate Services Department but the entire municipality is financial constraints. Resulting to delays or need to phase implementation of some projects such as training and development of staff and general communities, employee wellness programme, labour turnover and enhancing staff morale.

Lastly, it has also been noted that overtime payments are too high which is attributed to the shortage of staff to execute all the field work in the working hours allocated. It is therefore without doubt that revenue enhancement together with a review (and filling of vacancies) of the Organisational structure will assist in curbing these excessive costs.

10. COMPONENT J: FINANCIAL PERFORMANCE

All relevant information relating to Financial Performance will be dealt with in terms of the Annual Financial Statements, attached as annexure 1

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

SECTION TWO

PERFORMANCE ON LEGISLATED KEY PERFORMANCE AREAS

1. INTRODUCTION

This section presents the annual performance report as per the legislated National Key Performance Areas, goals, objectives, indicators and targets set in the Organisational Scorecard and the Service Delivery Budget Implementation Plan by all departments within the municipality.



According to Regulation 13 (1) of the Municipal Planning and Performance Management Regulations of 2001; “a municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it”. Thus the performance management system was reviewed after the IDP review community consultation roadshows in April 2014.

Furthermore, Section 53(1) (c) (ii) of the MFMA 56 of 2003 the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The Municipal budget was approved by Council on the

17th June 2014; 28 days fell on the **15th July 2014**. However, the SDBIP was approved and signed by the Mayor on the **30th June 2014** to ensure implementation at the beginning of **2015/2016 financial year**.

Quarterly audit reports indicated a need to revise the SDBIPs as there was clear misalignment with the IDP, in that some objectives that were included in the SDBIPs were not captured in the IDP. Whilst, during the performance assessments (informal and formal), it was concluded in agreement with the respective Heads of Departments that there was a need to revise some indicators and targets. Thus in order to address these, during the mid-year review process, the top layer SDBIPs were developed (as per circular 13 of the MFMA 56 of 2003) to only reflect the objectives captured in the Municipality’s approved IDP review for 2014/2015. This top layer SDBIP was approved by Council as per Section 54 (1) (c) of the MFMA 56 of 2003.

This section of the report is the analysis of the Departmental SDBIPs and municipal performance based on the reported data and evidence submitted. The SDBIP reports are an annexure to this annual performance report (APR) for 2014/2015. It is to be emphasised that the portfolios of evidence are audited quarterly by the internal audit unit. The audit reports are further discussed with management to ensure corrections and improvement in the findings raised. Therefore the POEs to the information reported in this section have been audited by the internal audit unit.

Section 1.1 that follows highlights alignment of the performance management system with the Municipality’s IDP, the key performance areas and the provincial growth strategy.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

1.1 National Key Performance Areas, goals, objectives

The Municipality has developed 8 strategic goals which are aligned to the 7 provincial goals as contained in the PGDS and also aligned to the National Key Performance Areas. Table 26 below reflects on the linkages of the KPA's, KZN PGDS with the IDP Goals.

KEY PERFORMANCE AREAS	PGDS GOALS	IDP GOALS
Spatial and environmental	Spatial equity Environmental sustainability	Spatial planning and environmental sustainability
Municipal transformation and organisational development	Human resource development	Service excellence and skills development
Basic service delivery and Infrastructure development	Strategic infrastructure	Economic infrastructure development and maintenance Encourage sustainable human settlements
Local economic and social development	Job creation Human and community development	Transformation of the main economic sectors
Municipal financial viability and management	Governance and policy	Financially sound and sustainable municipality
Good governance and public participation	Governance and policy	<ul style="list-style-type: none"> – Good corporate governance – Enhance public participation – Strengthen inter-governmental relations

1.2 IDP Goals, Objectives and Strategies

Table 27 below provides an outline of the revised Municipal objectives and strategies that are linked to the 6 Key Performance Areas and the 8 municipal strategic goals.



Service Delivery Performance Report (continued)

for the year ended 30 June 2015

Table 28: KPAs, Goals and Objectives

A. SPATIAL AND ENVIRONMENTAL	
IDP GOAL	OBJECTIVES
Spatial Planning and environmental sustainability	A1. To ensure integrated development and strategic spatial planning
	A2. To ensure conservation and management of the natural resources of the municipality which includes biodiversity, water resources
	A3. To facilitate Disaster Management within the municipality.
B. MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	
IDP GOAL	OBJECTIVES
Human Resource Development	B1. To ensure effective and efficient Human Resources Management
	B2. To ensure good labour relations
	B3. To ensure youth development in the municipality
	B4. Provision of effective information communication technology solutions to bridge the digital divide within the municipality.
	B5. To maintain a good corporate image.
C. BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	
IDP GOAL	OBJECTIVES
Economic infrastructure development and maintenance	C1. To provide water, sanitation, electricity, solid waste and road services
	C2. Provision of community and public facilities
	C3. Eradicate informal settlements
	C4. Infrastructure upgrade and maintenance
Encourage sustainable human settlements	C5. Facilitate the provision of formal housing
	C6. Provision of integrated public transport services
	C7. Ensure sustainable human settlement
D. LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	
IDP GOAL (WHAT)	OBJECTIVES (WHY)
Economic transformation of the main economic sectors	D1. Stimulate economic growth for the creation of jobs
	D2. Enhance tourism development
	D3. Support Small Micro Medium Enterprise (SMMEs)
	D4. Facilitate and co-ordinate agricultural development
Realisation of sustainable social development	D5. Integration of all provincial special programmes into municipal plans

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

E. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

IDP GOAL	OBJECTIVES
Financially sound and sustainable municipality	E1. Increase revenue collection and ensure that all municipal revenue is accounted for.
	E2. To ensure that all expenditure is managed in terms of all financial legislation.
	E3. To ensure compliance with all Supply Chain Management Regulations

F. GOOD GOVERNANCE AND COMMUNITY PARTICIPATION

IDP GOAL	OBJECTIVES
Good corporate governance	F1. Strengthen alignment of policies and strategies of municipal departments.
	F2. Strengthen inter-governmental relations
	F3. Enhance stakeholder participation
	F4. To have an effective organisational and individual performance management system
	F5. To ensure a fully capacitated and functional Internal Audit Unit
	F6. To ensure a functional Audit Committee

The review of the performance management system was thus based on the above stated National KPA's, strategic goals and objectives. Wherein, indicators and annual targets were set and broken down to quarterly targets. Targets are also dependent of availability of funds as per the annual budget.

The PMS process that was adhered to follows:



Diagram 1: Performance Management System 2014/2015

The focus is on the departmental service delivery plans as per the Service Delivery Budget Implementation Plan for 2013/2014 signed by the Mayor of uMngeni Municipality.

The Organisational Scorecard for the period reported is in component J (above) of this report.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

2. Background

The following Key Performance Areas (KPA) as outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) inform the strategic objectives and the Key Performance Indicators as illustrated in the Departmental SDBIPs listed in table below:

Municipal Transformation and Organisational Development

- Basic Service Delivery
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Cross Cutting (Spatial and Environmental)

The summary is based on the analysis done by the performance management unit, on the departmental (top structure) SDBIPs' annual performance reported by various departments.

The summary presents measures that were used to determine performance of the departments against the set KPIs. This means the unit looked at the status of each KPI per department in relation to annual targets.

The analysis was based on what was reported against the evidence received. Thus the following categories informed the analysis and hence the summary (*See examples for clarity*):

TABLE 29: EXPLANATION OF THE ANALYSIS REPORT

Analysis	Example
Targets met	A target to build 850 houses = 850 [or more] houses built and handed over
Targets not met	A target to build 850 houses = 0 houses built
Targets partially met	A target to build 850 houses = less than the targeted houses [there are houses built and handed over even though the target was not reached for this particular KPI]
Not reported	No report/ data received on that particular KPI
No evidence	Achievement is reported but no there was no evidence to support the report for some KPIs

The municipality has 155 KPIs. Therefore the PMS unit first verified and analysed the different departmental SDBIPs then consolidated the results to illustrate the municipal picture in relation to implementation of the strategic objectives and the KPIs.

Service Delivery Performance Report (continued)



for the year ended 30 June 2015

Graph 1: Organisational performance



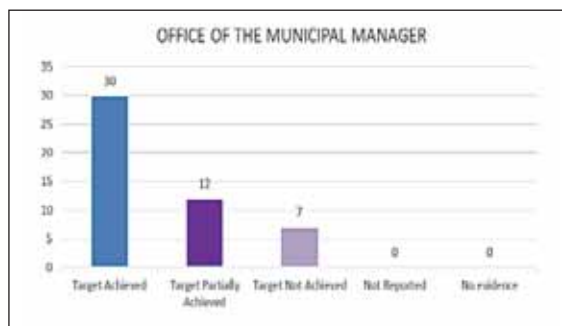
More than 50% KPIs were achieved in the financial year under review.

The issues and challenges that resulted to targets that were either partially achieved or not achieved have been reported and measures for improvement have been presented in section one of this report.

2.1 The Office of the Municipal Manager

The SDBIP report received with all columns populated. POE checked and referenced accordingly against evidence received.

Graph 2: Performance of OMM



Office of the Municipal Manager is in a nutshell the operations office of the municipality. All the governance functions as well as the functions of the Mayor's Office are carried out by staff working in the Office of the Municipal Manager.

The OMM has a total of 49 KPIs and the graph above depicts the achievements of the office in the financial year under review. This department achieved 61% of its set targets.

With all the partially achieved targets, there has been work in progress, for instance for the monthly ward committee meetings, the annual target is 144, however

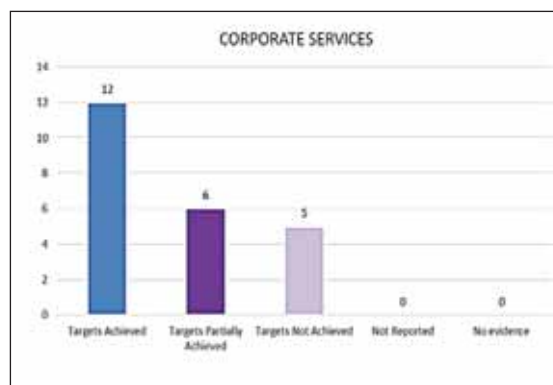
only 62 was achieved. This was due to the fact that some reports were not received from some wards. To improve on this in the future, a policy and plan of action have been put in place to ensure full submission of reports and to ensure that meetings are convened. Some of the consequences for non-reporting and no meetings include a hold in the stipends. The speaker is also addressing the issue raised as challenges.

The targets not achieved will be carried over to the next financial year.

2.2 Corporate Services

The SDBIP report received with all columns populated. POE checked and referenced accordingly against evidence received.

Graph 3: Performance of OMM



The Corporate Services Department has a total of 23 KPIs and the graph above depicts the achievements of the office in the financial year under review. This department achieved 52% of the set targets (in relation to the KPIs).

With all the partially achieved targets as well as those not met, the Department has indicated measures for improvement as reported in section one of this annual performance report

2.3 Economic Development and Planning

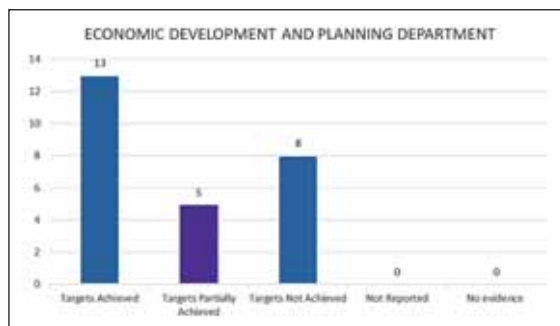
The SDBIP report received with all columns populated. POE checked and referenced accordingly against evidence received (some to be furnished later).

The summary of the Department's performance is presented below.

Service Delivery Performance Report (continued)

for the year ended 30 June 2015

Graph 4: Performance of EDP Department (26 KPI's in total)



The Economic Development and Planning Department has a total of 26 KPIs and the graph above depicts the achievements of the office in the financial year under review. This department only achieved 50% of the set targets (in relation to the KPIs).

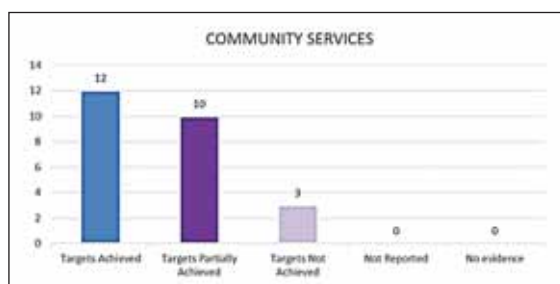
With all the partially achieved targets as well as those not met, the Department has indicated measures for improvement as reported in section one of this annual performance report.

2.4 Community Services

The SDBIP report received with all columns populated. POE checked and referenced accordingly against evidence received.

The summary of the Department's performance is presented below.

Graph 5: Performance of Community Services (25 KPI's in total)



The Community Services Department has a total of 25 KPIs and the graph above depicts the achievements of the office in the financial year under review.

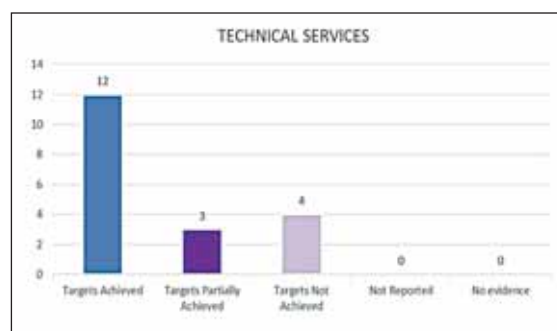
With all the partially achieved targets as well as those not met, the Department has indicated measures for improvement as reported in section one of this annual performance report.

2.5 Technical Services

The SDBIP report received with all columns populated. POE checked and referenced accordingly against evidence received.

The summary of the Department's performance is presented below.

Graph 6: Performance of Technical Services (19 KPI's in total)

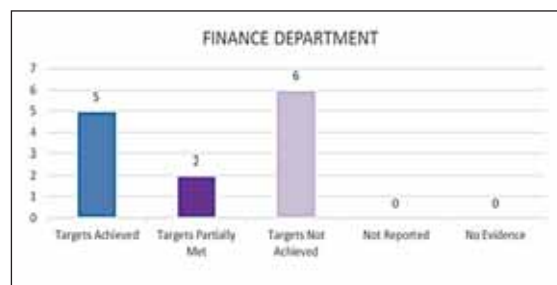


The Technical Services Department has a total of 19 KPIs and the graph above depicts the achievements of the office in the financial year under review. This department achieved 63% of the set targets (in relation to the KPIs).

With all the partially achieved targets as well as those not met, the Department has indicated measures for improvement as reported in section one of this annual performance report.

2.6 Finance Department

Graph 7: Performance of Finance Department (13 KPI's in total)



The department has only achieved 38% of the set targets (in relation to the 13 KPIs). The targets not achieved in this department are all related to procedure manuals and administrative control systems.

Annual Financial Statements



for the year ended 30 June 2015

General Information

Legal form of entity UMNGENI LOCAL MUNICIPALITY

Mayoral committee

Mayor

Mrs MP Myeni

Councillors

Cllr TP Mchunu
Cllr SR Majozi
Cllr PA Passmoor
Cllr STJ Ndlovu
Cllr MJ Gruenberg
Cllr SK Pillay
Cllr GT Dlamini
Cllr SD Nkuna
Cllr JE Holmes
Cllr TG Nxele
Cllr NN Mlotshwa
Cllr BA Zuma
Cllr Ndelela
Cllr TA Duggan
Cllr FT Cele
Cllr CRW Millar
Cllr NJ Lewis
Cllr FG Mthembu
Cllr JM Zondi
Cllr LP Phikwane
Cllr JA Mkhasibe
Cllr SM Ndlovu

Grading of local authority

3

Acting Accounting Officer

Mr S Simpson

Chief Financial Officer

Mr ZS Gwala

Registered office

Corner Dicks and Somme Streets
Howick
3290

Postal address

P O Box 5
Howick 3290

Banker

ABSA Bank

Auditor

Auditor General

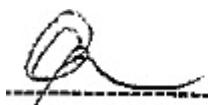
Annual Financial Statements

for the year ended 30 June 2015

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 74 to 127 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 31 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.



Mrs G Gumbi Masilela
Acting Municipal Manager
Monday, November 23, 2015

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Abbreviations

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

Accounting Officer's Responsibilities and Approval



for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.

Two other committees have also being formed after Provincial Treasury provided support to help the Municipality recover from the cash flow challenges it faced. The Credit control and Valuation sub-committees met monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors.

Council and the Interim Finance committee were committed to turning the situation around and in the process froze all vacant posts in order to curb expenditure, except critical posts or those funded by the conditional grants. There is also an action plan to further reduce expenditure and implement cost-cutting measures to aid financial recovery. Council still has to adopt the plan.

On the technical side, excess electricity losses have been identified and corrective actions were initiated to remedy the situation through the Development of Consumer loss Analysis programme (CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, and metered installations and correct the electricity billing cycle.

The accounting officer acknowledges that the ultimate responsibility for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment lies with him to enable the accounting officer to meet these responsibilities, the accounting officer set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards included the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure acceptable level of risk. These controls were monitored throughout the municipality and all employees were required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances was above reproach. Risk management and mitigation were effectively dealt with. While operating risk could be fully eliminated, the municipality endeavoured 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 provided reasonable assurance that the financial records could be relied on for the preparation of the annual financial statements. The accounting officer reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, was satisfied that the municipality had adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements..

The annual financial statements set out on pages 74 to 127, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr S Simpson
Acting Municipal Manager

Statement of Financial Position

as at 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Investments	3	38,548,450	29,797,992
Other receivables	9	2,774,926	2,497,276
Receivables from non-exchange transactions	11	8,269,258	3,821,177
VAT receivable	12	5,565,441	3,043,784
Consumer debtors	10	31,353,805	32,515,464
Cash and cash equivalents	13	8,103,231	8,675,819
		94,615,111	80,351,512
Non-Current Assets			
Investment property	3	5,323,419	5,523,051
Property, plant and equipment	4	788,876,392	775,394,485
Intangible assets	5	24,690	135,102
Heritage assets	6	5,392,617	5,392,617
		799,617,118	786,445,255
Non-Current Assets		799,617,118	786,445,255
Current Assets		94,615,111	80,351,512
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		894,232,229	866,796,767
Liabilities			
Current Liabilities			
Annuity loans	16	3,279,327	3,188,782
Operating lease liability		12,065	40,111
Trade and other payables from exchange transactions	20	18,942,766	24,299,701
VAT payable	21	-	705,397
Consumer deposits	22	2,198,071	2,276,796
Employee benefit obligation	7	1,151,000	1,229,000
Unspent conditional grants and receipts	18	22,223,372	17,831,033
Finance Lease Obligation		971,769	1,005,222
		48,778,370	50,576,042
Non-Current Liabilities			
Annuity loans	16	29,022,019	31,672,228
Finance lease obligation	17	430,666	1,391,510
Employee benefit obligation	7	24,206,000	21,715,000
Provisions	19	24,742,481	22,695,965
		78,401,166	77,474,703
Non-Current Liabilities		78,401,166	77,474,703
Current Liabilities		48,778,370	50,576,042
Liabilities of disposal groups		-	-
Total Liabilities		127,179,536	128,050,745
Assets		894,232,229	866,796,767
Liabilities		(127,179,536)	(128,050,745)
Net Assets		767,052,693	738,746,022
Net Assets			
Reserves			
Revaluation reserve	14	127,470,628	127,470,628
Housing operating account	15	15,108,143	15,108,143
Accumulated surplus		644,473,606	617,925,817
		787,052,377	760,504,588
Minority interest		-	-
Total Net Assets		787,052,377	760,504,588

Statements of Financial Performance



for the year ended 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Revenue			
Service charges	25	57,767,738	56,460,833
Rental of facilities and equipment		843,849	727,720
Licences and permits		2,655,121	2,045,018
Provision for bad debts adjust		4,764,421	-
Other income	27	4,900,844	4,508,088
Interest revenue	33	4,396,054	3,523,914
Property rates	24	119,499,371	111,631,578
Property rates - penalties imposed and collection charges	24	6,596,240	6,037,274
Government grants and subsidies	26	102,976,662	76,393,077
Fines		21,641,800	24,203,330
Total revenue		326,042,100	285,530,832
Expenditure			
Personnel	30	(83,397,332)	(65,979,025)
Remuneration of councillors	31	(6,119,393)	(5,744,657)
Depreciation and amortisation	34	(41,824,544)	(37,598,414)
Impairment loss/ Reversal of impairments		-	(8,532)
Finance costs	35	(4,302,785)	(4,297,368)
Bad debts	32	(22,032,800)	(21,453,003)
Collection costs		(721,417)	(818,337)
Repairs and maintenance		(12,347,415)	(6,332,898)
Bulk purchases	37	(72,285,938)	(65,892,623)
Contracted services		(3,109,660)	(1,949,955)
Grant expenditure	29	(7,162,023)	(10,866,661)
General expenses	28	(46,191,004)	(62,292,669)
Total expenditure		(299,494,311)	(283,234,142)
Total revenue		326,042,100	285,530,832
Total expenditure		(299,494,311)	(283,234,142)
Operating surplus		26,547,789	2,296,690
Deemed asset cost	4	-	139,169
Surplus before taxation		26,547,789	2,435,859
Taxation		-	-
Surplus for the year		26,547,789	2,435,859

* See Note

Statement of Changes in Net Assets

for the year ended 30 June 2015

	Revaluation reserve	Housing operating account	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Balance at 01 July 2013 restated	127,470,628	15,681,238	143,151,866	631,557,166	774,709,032
Changes in net assets					
Prior year adjustment	-	-	-	(13,631,349)	(13,631,349)
Net income recognised directly in net assets	-	-	-	(13,631,349)	(13,631,349)
Deficit for the year restated	-	-	-	-	-
Total recognised income and expenses for the year	-	-	-	(13,631,349)	(13,631,349)
Transfer of deficit to housing operating account	-	(573,095)	(573,095)	-	(573,095)
Total changes	-	(573,095)	(573,095)	(13,631,349)	(14,204,444)
Balance at 01 July 2014 restated (note 52)	127,470,628	15,108,143	142,578,771	617,925,817	760,504,588
Surplus for the year	-	-	-	26,547,789	26,547,789
	-	-	-	26,547,789	26,547,789
Balance at June 30, 2015	127,470,628	15,108,143	142,578,771	644,473,606	787,052,377
Note(s)	14	15			

* See Note

Cash Flow Statement



for the year ended 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services (rates and electricity)		201,370,293	187,019,940
Grants		102,976,662	78,805,000
Interest revenue		4,396,054	3,523,914
Other receipts		10,242,919	7,280,826
Fines		7,056,172	8,629,182
		<u>326,042,100</u>	<u>285,258,862</u>
Payments			
Employee costs		(89,516,725)	(71,075,512)
Suppliers		(153,167,387)	(146,051,038)
Finance costs		(3,642,564)	(4,297,368)
Taxes on surpluses		(705,397)	-
		<u>(247,032,073)</u>	<u>(221,423,918)</u>
Total receipts		326,042,100	285,258,862
Total payments		(247,032,073)	(221,423,918)
Net cash flows from operating activities	38	64,836,841	63,834,944
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(54,135,192)	(34,205,587)
Proceeds from sale of other asset 3		-	(2,462,016)
(Increase)/decrease in investments		(8,750,458)	(14,948,998)
Net cash flows from investing activities		(62,885,650)	(51,616,601)
Cash flows from financing activities			
Decrease in borrowings		(2,559,664)	(2,445,439)
Movement in other liability 1		(33,453)	-
Movement in consumer deposits		(78,725)	66,907
Increase in finance lease liability		148,063	1,110,787
Net cash flows from financing activities		(2,523,779)	(1,267,745)
Net increase/(decrease) in cash and cash equivalents		(572,588)	10,950,598
Cash and cash equivalents at the beginning of the year		8,675,819	(2,274,779)
Cash and cash equivalents at the end of the year	13	8,103,231	8,675,819

* See Note

Statement of Comparison of Budget and Actual Amounts

for the year ended 30 June 2015

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges- electricity	56,137,847	4,361,895	60,499,742	52,718,366	(7,781,376)	53.1
Service charges- refuse	4,946,015	-	4,946,015	5,049,372	103,357	
Rental of facilities and equipment	842,845	(168,005)	674,840	843,849	169,009	
Interest received (outstanding debtors)	1,727,885	-	1,727,885	1,655,273	(72,612)	
Licences and permits	2,292,525	-	2,292,525	2,655,121	362,596	
Provision for bad debts adjust	-	-	-	4,764,421	4,764,421	
Other income	7,374,699	(466,884)	6,907,815	4,900,844	(2,006,971)	53.2
Interest received - investment	900,000	180,000	1,080,000	2,740,781	1,660,781	53.3
Total revenue from exchange transactions	74,221,816	3,907,006	78,128,822	75,328,027	(2,800,795)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	126,896,080	500,000	127,396,080	119,499,371	(7,896,709)	
Property rates - penalties imposed	6,000,000	-	6,000,000	6,596,240	596,240	53.4
Government grants & subsidies	68,729,000	46,600,952	115,329,952	102,976,662	(12,353,290)	
Transfer revenue						
Fines	9,694,314	16,334,448	26,028,762	21,641,800	(4,386,962)	53.5
Total revenue from non-exchange transactions	211,319,394	63,435,400	274,754,794	250,714,073	(24,040,721)	
'Total revenue from exchange transactions'	74,221,816	3,907,006	78,128,822	75,328,027	(2,800,795)	
'Total revenue from non-exchange transactions'	211,319,394	63,435,400	274,754,794	250,714,073	(24,040,721)	
Total revenue	285,541,210	67,342,406	352,883,616	326,042,100	(26,841,516)	
Expenditure						
Personnel	(80,740,833)	(6,841,862)	(87,582,695)	(83,397,332)	4,185,363	53.6
Remuneration of councillors	(6,127,351)	(230,370)	(6,357,721)	(6,119,393)	238,328	
Depreciation and impairment	(10,675,260)	-	(10,675,260)	(41,824,544)	(31,149,284)	53.7
Finance costs	(4,498,865)	-	(4,498,865)	(3,874,733)	624,132	
Debt impairment	(7,846,516)	(12,438,884)	(20,285,400)	(22,032,800)	(1,747,400)	53.8
Collection costs	(735,513)	-	(735,513)	(721,417)	14,096	
Repairs and maintenance	(23,015,000)	-	(23,015,000)	(12,347,415)	10,667,585	53.10
Bulk purchases	(65,681,000)	(9,102,150)	(74,783,150)	(72,285,938)	2,497,212	53.12
Contracted Services	(9,218,813)	(482,157)	(9,700,970)	(3,109,660)	6,591,310	
Grants and subsidies paid	(7,085,000)	(1,143,862)	(8,228,862)	(7,162,023)	1,066,839	53.11
General Expenses	(43,660,956)	3,592,083	(40,068,873)	(46,191,004)	(6,122,131)	53.9
Total expenditure	(259,285,107)	(26,647,202)	(285,932,309)	(299,066,259)	(13,133,950)	
Surplus before taxation	26,256,103	40,695,204	66,951,307	26,975,841	(39,975,466)	
Deficit before taxation	26,256,103	40,695,204	66,951,307	26,975,841	(39,975,466)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	26,256,103	40,695,204	66,951,307	26,975,841	(39,975,466)	

Accounting Policies



for the year ended 30 June 2015

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

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

Consumer debtors are expected to be realised within 12 months after the reporting date.

The impairment for trade and other receivable is calculated based using the ageing as follows : 30 days 15%, 90 days 30%, 120 days 35% and 150 days 55% based on historical loss ratios

Fair value estimation

The carrying value less impairment provision of trade receivables and payables 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 19 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies (continued)

for the year ended 30 June 2015

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The appointed actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the appointed actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.4 Investment property

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land that is measured at revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies (continued)



for the year ended 30 June 2015

1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the 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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment that is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies (continued)

for the year ended 30 June 2015

1.5 Property, plant and equipment (continued)

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	Average useful life
Land	indefinite
Buildings	30 years
Plant and machinery	
• Specilised	10 - 15 years
• Other	7 - 10 years
Furniture and fixtures	15 years
Motor vehicles	
• Specialised Vehicles	10 years
• Other Motor Vehicles	5 years
Office equipment	3 years
Computer Equipment	5 years
Infrastructure	
• Roads and paving	30 years
• Pedestrian malls	30 years
• Electricity	20 - 30 years
Community	
• Building	30 years
• Recreational Facilities	20 - 30 years
• Security	5 years
Bins and containers	5 years
Landfill sites	15 years
Water network	15 years
Investment Property	30 years

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

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

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

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

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

Accounting Policies (continued)



for the year ended 30 June 2015

1.5 Property, plant and equipment (continued)

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 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 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 or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

Accounting Policies (continued)

for the year ended 30 June 2015

1.7 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the 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.

Internally generated goodwill is not recognised as an intangible asset.

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, other	1 - 3 years

Accounting Policies (continued)



for the year ended 30 June 2015

1.7 Intangible assets (continued)

Intangible asset- website costs

Any internal expenditure on the development and operation of the municipality's own website is accounted for in accordance with the Standard of GRAP on Intangible Assets. The nature of each activity for which expenditure is incurred (e.g. training employees and maintaining the website) and the website's stage of development or post-development are evaluated to determine the appropriate accounting treatment.

The stages of a website's development can be described as follows:

(a) Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

(b) Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

(c) Graphical design development – includes designing the appearance of web pages.

(d) Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

1.8 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

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

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies (continued)

for the year ended 30 June 2015

1.8 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

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 120 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Consumer debtors

Consumer debtors are initially recognised at fair value, and are subsequently measured at amortised cost.

Payables from exchange transactions

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. Cash and cash equivalents are initially recorded at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

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. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Long term loans

Long term loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies (continued)



for the year ended 30 June 2015

1.8 Financial instruments (continued)

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 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.

1.9 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 - 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.

1.10 Inventories

1.11 Impairment of cash-generating assets and non-cash generating assets

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

Accounting Policies (continued)

for the year ended 30 June 2015

1.11 Impairment of cash-generating assets and non-cash generating assets (continued)

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the municipality evaluates the asset to determine whether the asset is a cash generating asset or non-cash generating asset.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset.

- Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.

- Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.

- Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the statement of financial performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality makes an estimate of the assets or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of financial performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Identification

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

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

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

Accounting Policies (continued)



for the year ended 30 June 2015

1.11 Impairment of cash-generating assets and non-cash generating assets (continued)

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 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.

Defined contribution plans

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Accounting Policies (continued)

for the year ended 30 June 2015

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits 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 municipality also provides a gratuity subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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.

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

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

Provisions are not recognised for future operating Surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.14 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, volume rebates and value-added taxes (VAT).

Accounting Policies (continued)



for the year ended 30 June 2015

1.14 Revenue from exchange transactions (continued)

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 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 charges for electricity are based on consumption by consumers as is recorded on each consumer's meter.

Meters are read each month and the revenue is recognised in the period in which invoices are raised.

Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced.

Adjustments to provisional estimates and recognition of the amended revenue arising as a result, are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised immediately in revenue.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears.

Refuse charges are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected from agents has been quantified and the terms of the agency agreement have been complied with.

Interest

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

1.15 Revenue from non-exchange transactions

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue. at the fair value of the consideration received or receivable, net of trade discounts and volume rebates and value-added taxes (VAT).

Accounting Policies (continued)

for the year ended 30 June 2015

1.15 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.

Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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.

Accounting Policies (continued)



for the year ended 30 June 2015

1.16 Investment income

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

1.17 Borrowing costs

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 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.

1.21 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.

1.22 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 103 : Heritage Assets

1.23 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.

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

Accounting Policies (continued)

for the year ended 30 June 2015

1.24 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

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

Comparative information is not required.

1.25 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 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.

1.27 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

1.28 Work in progress

The cost of items of property, plant and equipment that under construction as of the reporting date is recognised as an asset if:

- it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and
- the cost or fair value of the item(s) can be measured reliably.

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprises direct labour, materials and overheads, if appropriate.

When assets under construction are completed and certificates of completion issued, they are transferred to the appropriate asset class.

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in the manner intended by management.

Annual Financial Statements



for the year ended 30 June 2015

	2015 R	2014 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted standards and interpretations that are effective.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2015 or later periods:

of GRAP	Effective date: Years beginning on or after	Expected impact:
• GRAP 32 : Service Concession Arrangement Grantor		No Effective date
• GRAP 20 Related parties		No effective date
• GRAP 108 :Statutory receivables		No Effective date
• DIRECTIVES 11 : Changes in measurement bases following the initial adoption of Standard		No effective date
• GRAP 105 : Transfers of functions between entities under common control		No effective date
• GRAP 107 Merges	April 01, 2015	

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

2. New standards and interpretations (continued)

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

3. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6,122,000	(798,581)	5,323,419	6,122,000	(598,949)	5,523,051

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	5,523,051	199,632	5,323,419

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	5,784,870	(261,819)	5,523,051

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

4. Property, plant and equipment

	2015		2014	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	124,626,348	-	124,626,348	-
Land - Landfill site	9,326,000	(8,704,266)	9,326,000	(8,082,533)
Buildings	75,608,420	(24,081,286)	75,608,420	(20,600,166)
Furniture and fittings	4,226,492	(2,653,368)	3,229,531	(2,199,925)
Motor vehicles	11,179,679	(5,765,664)	5,414,015	(4,777,544)
Motor vehicles - leased	5,554,799	(4,462,669)	1,092,130	(3,287,685)
Computer equipment	3,118,346	(1,807,772)	1,310,574	(1,376,596)
Electrical	92,725,076	(40,946,147)	51,778,929	(38,052,260)
Assets under construction	52,727,936	-	52,727,936	-
Roads and storm water network	924,350,410	(427,008,806)	890,853,132	(395,855,147)
Machinery and equipment	2,963,337	(2,100,473)	862,864	(1,784,096)
Total	1,306,406,843	(517,530,451)	1,251,410,437	(476,015,952)

During the physical verification of assets in 2013/2014 financial year, the conditional assessment was conducted. This resulted on the useful lives being reviewed. after the review of the useful lives, the depreciation will be based on the remaining re-assessed useful lives and the carrying amount.

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work in progress	Donated assets	Transfers	Depreciation	Total
Land	125,869,815	-	-	-	-	(621,733)	125,248,082
Buildings	55,008,254	-	-	-	-	(3,481,120)	51,527,134
Machinery and equipment	907,826	271,415	-	-	-	(316,378)	862,863
Furniture and office equipment	1,029,606	166,405	-	830,556	-	(453,443)	1,573,124
Motor vehicles	5,524,055	878,080	-	-	-	(988,120)	5,414,015
Motor vehicles - leased	2,267,114	-	-	-	-	(1,174,984)	1,092,130
Computer equipment	1,066,349	644,743	-	30,659	-	(431,176)	1,310,575
Electricity	54,672,816	-	-	-	-	(2,893,887)	51,778,929
Roads and storm water network	34,050,665	-	52,174,549	-	(33,497,278)	-	52,727,936
Machinery and equipment	494,997,985	-	-	-	33,497,278	(31,153,659)	497,341,604
Total	775,394,485	1,960,643	52,174,549	861,215	-	(41,514,500)	788,876,392

Wageningen Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance Restated	Additions Restated	Work in progress	Restated Newly identified assets	Restated Donated Assets	Transfers	Depreciation restated	Impairment loss	Total
Land	133,952,348	-	-	-	-	-	(8,082,533)	-	125,869,815
Buildings	58,482,103	-	-	-	-	-	(3,473,849)	-	55,008,254
Machinery and equipment	596,978	48,821	-	432,083	-	-	(168,178)	(1,878)	907,826
Furniture and office equipment	809,112	116,201	-	331,575	6,491	-	(230,294)	(3,479)	1,029,606
Motor vehicles	703,976	5,006,885	-	183,366	-	-	(370,172)	-	5,524,055
Motor vehicles - leased	999,832	2,112,630	-	-	-	-	(845,348)	-	2,267,114
Computer equipment	842,250	265,849	-	208,287	17,348	-	(264,209)	(3,175)	1,066,350
Electrical	57,586,675	-	-	-	-	-	(2,913,859)	-	54,672,816
Assets under construction	47,524,822	-	34,570,553	-	-	(48,044,709)	-	-	34,050,666
Roads and storm water network	476,359,828	-	-	48,044,709	-	-	(29,406,552)	-	494,997,985
	777,857,924	7,550,386	34,570,553	49,200,020	23,839	(48,044,709)	(45,754,994)	(8,532)	775,394,487

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,907,516	1,371,096
IT equipment	-	(3,287,685)
Other property, plant and equipment # 4	1,076,162	48,821
	3,983,678	(1,867,768)

Heritage assets

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.]

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	334,156	(309,466)	24,690	334,156	(199,054)	135,102

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	135,102	110,412	24,690

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	239,398	(104,296)	135,102

6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2,462,018	-	2,462,018	2,462,018	-	2,462,018
Mayoral Chains	60,000	-	60,000	60,000	-	60,000
Other (specify class)	-	-	-	-	-	-
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Museums	2,870,599	35	2,870,599	2,870,599	-	2,870,599
Total	5,392,617	-	5,392,617	5,392,617	-	5,392,617

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	2,462,016	2,462,016
Mayoral Chains	60,000	60,000
Museum	2,870,599	2,870,599
	5,392,615	5,392,615

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Historical monuments	-	2,462,016	2,462,016
Mayoral Chains	-	60,000	60,000
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Museums	2,870,599	-	2,870,599

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
6. Heritage assets (continued)	2,870,599	5,392,615

Heritage assets which fair values cannot be reliably measured

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note , certain heritage asset with a carrying value of R5 392 617 (2014: R5 392 617) was recognised at provisional amounts.

Due to initial adoption of GRAP 103

Heritage assets	5,392,617	5,392,617
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Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

The original values brought into the municipal valuation roll based on property values from the municipal valuator was considered and applied to heritage assets.

The date at which full compliance with GRAP 103 is expected, is .

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(22,944,000)	(26,342,306)
Present value of the defined benefit obligation-partly or wholly funded	(1,317,000)	(1,430,000)
Fair value of reimbursement rights	(2,020,000)	(1,570,000)
Benefit payment	1,252,000	1,091,000
Asset not recognised	(328,000)	5,307,306
	(25,357,000)	(22,944,000)
Non-current liabilities	(24,206,000)	(21,715,000)
Current liabilities	(1,151,000)	(1,229,000)
	(25,357,000)	(22,944,000)

Net expense recognised in the statement of financial performance

Current service cost	1,317,000	1,430,000
Interest cost	2,020,000	1,570,000
Actuarial gains (losses)	328,000	(5,308,000)
	3,665,000	(2,308,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.94 %	8.94 %
Expected rate of return on assets	8.05 %	8.05 %
Expected increase in salaries	0.82 %	0.82 %
Expected pension increases	7.05 %	7.05 %

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
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7. Employee benefit obligations (continued)

Defined contribution plan

Post retirement pension plan- Natal Joint Municipal Pension Fund

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the Municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2015 Interim valuations have not yet been released.

8. Investments

Unlisted investments

Collateral security fixed deposits - Rand Merchant Bank	1,340,941	1,275,453
Notice deposits - Absa Bank	10,304,930	9,466,755
Fixed Deposit -ABSA Bank	5,069,467	5,147,134
Fixed Deposit- FNB	1,470,896	1,386,223
Fixed Deposit- Investec	-	10,262,749
Notice Deposit- Investec	20,362,216	2,259,678
	38,548,450	29,797,992

Average rate of return on investments	6%	6%
Investments pledged as collateral security for loans	1,340,941	1,275,453

Fair value of financial instrument approximates the cost of the financial asset.

9. Other receivables

Interest receivable	11,321	64,652
Other receivables	2,763,605	2,432,624
	2,774,926	2,497,276

10. Consumer Debtors

Consumer debtors	58,927,542	64,853,622
Less: Provision for bad debts	(27,573,737)	(32,338,158)
	31,353,805	32,515,464

Management have considered the effects of any impairment in the values of outstanding debtors and the value of the provision for bad debts.

The provision is adequate to account for any material losses expected to arise from any adjustment that are required to be made to the outstanding balance.

Gross amounts

Rates	35,642,106	37,338,933
Electricity	17,556,595	19,137,509
Refuse	2,441,691	2,165,860

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
Legal costs	33,554	53,539
Housing rental	519,525	543,622
Sundry debtors	2,734,073	5,614,159
	58,927,544	64,853,622
Less: Provision for bad debts		
Rates	18,540,593	20,824,793
Electricity	6,419,574	7,379,102
Rental	228,692	827,328
Refuse	944,113	3,054,578
Sundry debtors	1,422,312	29,575
Legal	18,454	222,782
	27,573,738	32,338,158
Net balance		
Rates	17,101,513	16,514,140
Electricity	11,137,021	11,758,407
Rentals	290,833	1,338,533
Refuse	1,497,578	320,840
Legal costs	15,099	23,964
Sundry debtors	1,311,761	2,559,580
	31,353,805	32,515,464
Age analysis		
Rates		
Current (0 to 30 days)	3,233,394	3,255,988
31 to 60 days	3,918,783	2,456,109
61 to 90 days	1,548,709	1,631,441
91 to 120 days	3,428,193	1,415,147
121 to 150 days	2,376,252	413,947
151 days and over	21,136,774	28,166,301
	35,642,105	37,338,933
Electricity		
Current (0 to 30 days)	4,196,067	3,954,239
31 to 60 days	1,275,703	1,175,521
61 to 90 days	402,959	570,460
91 to 120 days	257,117	272,851
21 days to 150 days	10,779	75,603
151 days and over	11,413,969	13,088,834
	17,556,594	19,137,508
Refuse		
Current (0 to 30 days)	453,152	370,925
31 to 60 days	165,504	170,089
61 to 90 days	96,831	85,221
91 days to 120 days	79,297	69,995
121 to 150 days	-	56,256
151 days and over	1,646,908	1,413,374
	2,441,692	2,165,860
Sundries		
Current (0 to 30 days)	29,362	(38,997)
31 to 60 days	57,663	58,752

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
61 to 90 days	52,224	13,326
91 to 120 days	50,699	46,714
121 to 150 days	-	14,995
151 days and over	2,544,124	5,519,369
	2,734,072	5,614,159
Legal costs		
151 days and over	33,554	53,539
Housing		
Current (0 to 30 days)	51,187	52,028
31 to 60 days	32,516	44,200
61 to 90 days	17,983	30,376
91 to 120 days	9,867	26,349
121 to 150 days	9,000	16,146
151 days and over	398,971	374,523
	519,524	543,622
Reconciliation of doubtful debt provision		
Opening balance	32,338,159	29,469,840
Contribution made during the year	(4,764,421)	2,868,319
	27,573,738	32,338,159

Indigent customers

The indigent debtors receive 100kwh of free electricity per month provided that they have a prepaid meter installed in their home. Properties with a valuation up to a maximum of R200,000, are also exempt from paying refuse charges.

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 27 573 737 (2014:R 32 338 159) were impaired and provided for.

The aging of these debtors is as follows:

3-6 months	27,573,737	32,338,159
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The municipality profiled all debtors according to their risk profile. This risk profile was then used to calculate the doubtful debt provision.

11. Receivables from non-exchange transactions

Debtors- traffic fines (net)	8,269,258	3,821,177
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Reconciliation of receivables from non-exchange transactions

Opening balance	3,821,177	-
Debtors - traffic fines	15,327,748	15,555,973
Debt impairment	(10,879,667)	(11,734,796)
	8,269,258	3,821,177

The Municipality has two traffic fine billing systems. TMT (outsourced serviced provider) is responsible for the system used to issue fines for speed traffic offenders along the N3 toll road within the municipal boundary. TRAFMAN is a system used by the municipality to issue fines for other traffic offences. Both TMT and the municipality work closely with the magistrates court to ensure that accurate recording of the status of fines (including the statuses of summons, appeals, fine reductions etc). Monies collected by the Magistrate are transferred to the municipality's bank account.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
12. VAT receivable		
VAT	5,565,441	3,043,784
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2,210	2,210
Bank balances	8,101,021	8,673,609
	8,103,231	8,675,819
The Municipality has the following bank accounts:		
Current accounts		
Absa Bank Limited - Account No. 4063796636: Bank statement balance at year end (Primary account)	6,880,943	10,346,001
First National Bank Limited - Account No. 52530028614	-	24,647
Absa Bank Limited - Account No: 9264784869	636,675	852,509
Interest charged on the bank overdraft is at prime interest rate.		
No security/encumbrances are provided to ABSA bank.		
14. Revaluation reserve		
Opening balance	127,470,628	127,470,628
The revaluation reserve has resulted from the revaluation of property, plant and equipment.		
15. Housing operating account		
Accumulated surplus/(deficit)	15,108,143	(235,834)
Loans extinguished by Government on 1 April 1998	-	15,343,977
	15,108,143	15,108,143

The housing operating account is represented by the following assets and liabilities

Assets	-	-
Liabilities	-	-

The application for the housing operating account to be extinguished has been sent to the MEC and The Head of the department, the municipality is awaiting the correspondence from the department of Human settlement

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
16. Annuity loans		
Designated at fair value		
External Loan - DBSA	7,399,521	7,824,664
Account number - 61003296		
External Loan - DBSA	2,049,468	2,288,678
Account number - 61000591		
External Loan - DBSA	13,519,021	14,081,001
Account number - 61000576		
External Loan - ABSA	9,333,333	10,666,667
Account number - 302200978		
	32,301,343	34,861,010

The loans attract interest at rates between 5% to 12.62% per annum and are being redeemed in monthly and quarterly instalments.

The annuity loans were acquired for the construction of infrastructure. Construction was completed in 2009 and the municipality is currently redeeming the amount borrowed.

Non-current liabilities		
At amortised cost	29,022,019	31,672,228
Current liabilities		
At amortised cost	3,279,327	3,188,782

17. Finance lease obligation

Minimum lease payments due		
- Within one year	1,049,410	1,171,924
- In second to fifth year inclusive	451,155	1,488,632
	1,500,565	2,660,556
Less: Future finance charges	(98,128)	(263,822)
Present value of minimum lease payments	1,402,437	2,396,734
Present value of minimum lease payments due		
- Within one year	971,767	1,005,222
- In second to fifth year inclusive	430,670	1,391,510
	1,402,437	2,396,732

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

The average lease term was 4-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

In the prior year the finance lease liability was disclosed under other financial liabilities, it has been reclassified in the current year.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal systems improvement grant	-	381,391
Data cleansing grant	24,851	174,875
Expanded Public Works Programme grant	28,429	995,505
Provincial - Cedara College/ Khanya Village Road	1,256,245	1,911,821
Financial management grant	-	377,407
Mandela capture site phase 2	19,926,866	12,537,985
MAP Synergistic Partnership	354,489	358,189
Cleanest town award	755	168,755
Integrated National Electricity Programme Grant	6,616	425,105
Museum Grant	490,005	500,000
Massification	135,116	-
	22,223,372	17,831,033

Movement during the year

Balance at the beginning of the year	17,831,033	12,814,230
Receipts during the year	108,364,504	41,597,000
Income recognition during the year	(102,976,662)	(38,974,550)
Correction of error / misallocation	-	2,859,352
unapproved roll over	(995,505)	(464,999)
	22,223,372	17,831,033

19. Provisions

Reconciliation of provisions - 2015

	Opening balance	Additions	Closing balance
Environmental rehabilitation	16,556,056	1,560,632	18,116,688
Provision for leave	6,139,909	485,884	6,625,793
	22,695,965	2,046,516	24,742,481

Reconciliation of provisions - 2014

	Opening balance	Additions	Closing balance
Environmental rehabilitation	14,069,966	2,486,090	16,556,056
Provisions for Leave	-	6,139,909	6,139,909
	14,069,966	8,625,999	22,695,965

The landfill site provision is raised for the rehabilitation of the refuse disposal site to its original state once the site has reached the end of its useful life.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
20. Trade and other payables from exchange transactions		
Trade payables	973,412	11,929,705
Unclaimed deposits	1,702,965	1,702,638
Accruals	6,897,903	-
SARS interest and penalties	-	174,723
Deposits received	3,369,493	2,673,703
Retentions	2,216,049	1,777,077
Other Sundry Creditors: District Municipality	1,090,113	1,090,113
Sundry creditors	2,091,247	4,322,624
Museum trust account	2,969	-
DBSA accrued interest	598,615	629,118
	18,942,766	24,299,701

The fair value of trade and other payables approximate their carrying amount.

21. VAT payable

VAT payable	-	705,397
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

22. Consumer deposits

Electricity	2,198,071	2,276,796
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23. Revenue

Service charges	57,767,738	56,460,833
Rental of facilities and equipment	843,849	727,720
Licences and permits	2,655,121	2,045,018
Provision for bad debt adjust	4,764,421	-
Property rates	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
Government grants & subsidies	102,976,662	76,393,077
Fines	21,641,800	24,203,330
	316,745,202	277,498,830

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

Service charges	57,767,738	56,460,833
Rental of facilities and equipment	843,849	727,720
Licences and permits	2,655,121	2,045,018
Provision for bad debts adjust	4,764,421	-
	66,031,129	59,233,571

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

Taxation revenue		
Property rates	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
Transfer revenue		
Government grants and subsidies	102,976,662	76,393,077
Fines	21,641,800	24,203,330
	250,714,073	218,265,259

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
24. Property rates		
Rates received		
Residential	78,396,576	71,300,845
Commercial	23,079,519	21,223,395
Small holdings and farms	32,080,004	31,643,164
Education and state	17,372,302	16,897,630
Private open space	4,183,637	4,164,422
Less: Income forgone rebates	(35,612,667)	(33,597,878)
Income received	119,499,371	111,631,578
Property rates - Penalties imposed and collection charges	6,596,240	6,037,274
	126,095,611	117,668,852

Valuations

Residential	10,364,971,510	9,741,058,400
Commercial	3,104,237,000	2,903,441,000
Education and State	2,336,606,000	2,311,660,000
Municipal	228,342,400	322,898,400
Agriculture	4,267,622,056	4,328,905,056
Private open space	556,551,700	569,708,700
State	17,365,000	13,168,000
	20,875,695,666	20,190,839,556

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new General Valuation is implemented in July 2015.

Rates are levied on an annual basis with the final date for payment being Friday, July 31, 2015 (Thursday, July 31, 2014). Interest at 1% per month except february which is 10% (2014: 1%), is levied on rates outstanding one months after due date.

A basic rate of randage is applied to the valuations of all types of properties, the amount is 1.45 cents in the Rand (2014: 1.37 cents).

Rebates

Agriculture - additional	82.5%	82.5%
Bona fide farmers	0%	0%
Residential (The first R100,000 is exempt in terms of the rates policy)	30%	30%
Pensioners (Qualifying on with income up to R9,000 on a sliding scale)	30%	30%
State	30%	30%

25. Service charges

Sale of electricity	52,718,366	51,841,996
Refuse removal	5,049,372	4,618,837
	57,767,738	56,460,833

The estimated distribution loss of R 32 152 873 (2014: R 27 365 069) is noted.

The contractor has finalised the project to identify losses and the recommendation is to undertake a full audit of all electrical installations within the area of supply. There is currently no funding available to begin this process.

The Municipality is applying its Credit Control and Debt Collection Policy and By-Laws in an effort to reduce losses, however the losses are of a technical nature and the Municipality is busy investigating strategies to further reduce the losses.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
26. Government grants and subsidies		
Operating grants		
Equitable share	40,228,505	37,208,000
Municipal systems improvement grant	1,315,392	966,430
Finance Management Grant	1,977,407	2,673,226
MAP synergistic partnership grant	3,700	10,200
Cleanest town award	168,000	147,845
Museum Grant	160,995	284,000
Grant - Library staffing costs	2,752,000	2,671,526
Expanded public works grant	971,571	2,983,628
Data cleansing grant	150,024	1,320,152
	47,727,594	48,265,007
Capital grants		
Municipal Infrastructure Grant	21,415,000	18,912,000
Corridor development	-	6,179,160
Integrated National Electricity Programme Grant	418,489	574,895
Mandela capture site- phase 2	32,312,118	2,462,015
Cedara College Kanya Village	655,576	-
Massification	447,885	-
	55,249,068	28,128,070
	102,976,662	76,393,077
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
	40,228,505	37,208,000
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	381,391	457,821
Current year receipts	934,000	890,000
Conditions met - transferred to revenue	(1,315,391)	(966,430)
	-	381,391
Finance Management Grant		
Balance unspent at beginning of year	377,407	1,965,632
Current year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,977,407)	(2,673,225)
Unapproved roll over	-	(465,000)
	-	377,407
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	(2,859,352)
Current receipts	21,415,000	18,912,000
Conditions met - transferred to revenue	(21,415,000)	(18,912,000)
Correction of error	-	2,859,352
	-	-

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
26. Government grants and subsidies (continued)		
Mandela Capture Site - Phase 2		
Balance unspent at beginning of year	12,537,985	-
Current-year receipts	39,701,000	15,000,000
Conditions met - transferred to revenue	(32,312,118)	(2,462,015)
	19,926,867	12,537,985
Corridor Development		
Balance unspent at beginning of year	-	1,279,160
Conditions met - transferred to revenue	-	(1,279,160)
	-	-
National road: N3 corridor development.		
MAP Synergistic Partnership		
Balance unspent at beginning of year	358,189	368,389
Current year receipts	-	-
Conditions met - transferred to revenue	(3,700)	(10,200)
	354,489	358,189
Cleanest Town Award		
Balance unspent at beginning of year	168,755	316,600
Current year receipts	-	-
Conditions met - transferred to revenue	(168,000)	(147,845)
	755	168,755

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
26. Government grants and subsidies (continued)		
Provincial - Cedara College/Khanya Village Road		
Balance unspent at beginning of year	1,911,821	1,911,821
Current year receipts	-	-
Conditions met - transferred to revenue	(655,576)	-
	1,256,245	1,911,821
Integrated National Electricity Programme Grant		
Balance unspent at beginning of year	425,105	-
Current year receipts	-	1,000,000
Conditions met - transferred to revenue	(418,489)	(574,895)
	6,616	425,105
Museum Howick		
Balance unspent at beginning of year	500,000	-
Current year receipts	151,000	784,000
Conditions met - transferred to revenue	(160,995)	(284,000)
	490,005	500,000
Data Cleansing		
Balance unspent at beginning of year	174,875	1,495,026
Conditions met - transferred to revenue	(150,024)	(1,320,151)
	24,851	174,875
Expanded Public Works Program		
Balance unspent at beginning of year	995,505	2,979,133
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(971,571)	(2,983,628)
Unapproved roll over	(995,505)	-
	28,429	995,505
N3 Corridor		
Balance unspent at beginning of year	-	4,900,000
Conditions met - transferred to revenue	-	(4,900,000)
	-	-

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
26. Government grants and subsidies (continued)		
Libraries		
Current year receipts	2,752,000	2,671,526
Conditions met - transferred to revenue	(2,752,000)	(2,671,526)
	-	-
Massification		
Current year receipts	583,000	-
Conditions met - transferred to revenue	(447,885)	-
	135,115	-
27. Other income		
Shared services model	571,864	322,981
Building plan fees and drainage fees	2,037,085	1,987,743
Reconnection fee	587,811	376,977
Valuation fee	196,658	54,580
Hall hire	219,577	204,721
Burial fees	32,727	37,774
Advertising	198,679	109,810
Connection income	174,556	479,999
LGSETA receipts	89,178	65,946
Sponsorship received	-	30,702
Insurance claim received	148,059	-
Sundry income	307,874	487,002
Subdivision income	97,347	144,708
Rates certificate income	239,429	205,145
	4,900,844	4,508,088

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
28. General expenses		
Advertising	497,046	329,652
Auditor's remuneration	1,130,041	1,282,311
Bank charges	683,716	691,511
Material and small tools	95,396	75,444
Commission paid	2,556,672	3,560,397
Computer expenses	405,890	154,966
Consulting and professional fees	7,783,665	2,598,799
Consumables	39,919	175
Discount allowed- traffic fines	-	18,175
Entertainment	126,842	64,527
Gifts	3,237,768	2,451,611
Insurance	460,484	393,160
Community development and training	603,564	73,746
IT expenses	343,639	-
Lease rentals on operating lease	2,994,072	1,463,854
Magazines, books and periodicals	41,439	16,484
Motor vehicle expenses	436,816	321,027
Medical expenses	9,027	9,985
Postage and courier	1,125,574	1,065,989
Printing and stationery	543,773	256,421
Security (Guarding of municipal property)	4,308,082	3,012,214
Subscriptions and membership fees	1,669,461	290,311
Telephone and fax	1,376,590	1,230,098
Training	1,024,346	48,664
Hygiene services	187,250	87,903
Electricity	4,512,655	4,224,281
Sewerage and waste disposal	38,428	21,534
Water	442,767	802,339
Refuse	24,153	29,890
Uniforms	267,258	491,269
Contribution to landfill site provision	1,560,632	2,486,090
Medical aid retired staff	705,200	632,547
Transfer of RDP houses to beneficiaries	-	27,489,000
SARS penalties	-	142,631
Electricity connections	3,828,294	3,717,879
Contribution to fire fighting services	263,186	235,995
Veterinary department	783,901	800,021
IDP expenditure	684	56,636
Other expenses	2,082,774	1,665,133
	46,191,004	62,292,669

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
29. Grant operating expenditure		
Cleanest town award	168,000	147,845
MAP Grant	3,700	-
Museum	160,995	-
Finance management grant	1,977,407	2,474,739
LED strategy Corridor development -Shared services planning and development	-	38,400
Municipal systems improvement	1,091,825	936,171
Library staffing costs	2,750,500	2,955,526
Data cleansing	150,024	1,320,152
Expanded public works programme	859,572	2,993,828
	7,162,023	10,866,661

The operating grant expenditure of R 7 162 023 is exclusive of an amount R 337 067 relates to tools which were procured by grant funding, the capitalisation was done due to life span which are Library, Expanded Public Works Programme and Municipal Systems improvement Grants

30. Employee related costs

Basic	49,341,091	42,374,087
Bonus	3,695,393	3,306,365
Medical aid - company contributions	3,742,069	3,219,135
UIF	451,203	422,586
WCA	597,201	673,083
SDL	728,100	692,570
Leave pay provision charge	2,375,551	3,101,508
Post-employment benefits - Medical aid and long service	2,421,750	(3,398,306)
Pension Contribution	9,913,599	8,946,431
Overtime payments	5,562,675	3,917,525
Car allowance	2,963,770	1,475,170
Housing benefits and allowances	247,805	225,908
Cellphone allowance	314,158	202,000
Standby allowance	113,340	108,119
Subsistence and Travelling	929,627	708,344
Uniform allowance	-	4,500
	83,397,332	65,979,025

Remuneration of Municipal Manager

Annual remuneration	-	782,245
Travel allowance	-	126,243
Annual bonuses	-	64,388
Cellphone allowance	-	18,000
	-	990,876

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
30. Employee related costs (continued)		
Remuneration of Chief Financial Officer		
Annual remuneration	423,072	343,915
Travel allowance	90,000	65,476
Acting allowance	196,206	-
Cellphone allowance	15,000	-
Lump sum (Leave and bonus)	-	27,887
Contract Travel	-	6,524
Re-imbursive Travel	15,273	-
	739,550	443,802

The Chief Financial Officer officially appointed in January 2015.

Remuneration of General Manager Technical Services

Annual remuneration	774,733	731,774
Travel allowance	180,000	176,738
Annual bonuses	-	21,332
Cellphone Allowance	18,000	12,000
Re-imbursive traveling	85,091	9,040
	1,057,824	950,884

Remuneration of General Manager Internal Audit

Annual remuneration	-	25,871
Car allowance	-	4,265
Contributions to UIF, Medical and Pension Funds	-	36,785
	-	66,921

Remuneration of General Manager Community Services

Annual remuneration	451,911	-
Travel allowance	105,017	-
Cellphone allowance	10,500	-
	567,428	-

GM community services appointed in October 2014.

Remuneration of General Manager Planning and Development

Annual remuneration	780,705	736,044
Travel allowance	174,029	168,500
Annual bonuses	-	15,917
Cellphone allowance	18,000	12,000
Acting allowance	-	93,885
	972,733	1,026,346

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
30. Employee related costs (continued)		
Remuneration of General Manager Corporate Services		
Annual remuneration	774,705	731,044
Travel allowance	180,029	176,764
Acting Allowance	34,720	26,528
Re-imbursive traveling	48,686	9,040
Cellphone allowance	18,000	12,000
	1,056,140	955,376

CFO and GM community services received a Samsung tablets in the current financial year. This benefit is not included in the remuneration noted above.

31. Remuneration of councillors

Mayor's allowance	739,361	698,692
Deputy Mayor allowance	333,147	314,860
Executive Committee allowance	312,995	296,219
Speaker	332,754	314,860
Councillors allowance	4,401,136	4,120,027
	6,119,393	5,744,658

In-kind benefits:

The Mayor is employed on a full-time basis, and is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of Council owned vehicles for official duties.

The Mayor has two full-time bodyguards.

Councillor benefits:

All Councillors received a Samsung tablet in the current financial year. This benefit is not included in the remuneration noted above.

32. Bad debts

Debt impairment- traffic fines	10,876,667	11,734,796
Debt impairment- consumer debtors	15,920,553	2,162,193
Debts written off- consumer debtors	(4,764,421)	7,556,014
	22,032,799	21,453,003

33. Interest revenue

Interest revenue		
Other financial assets	2,740,781	1,784,467
Interest charged on trade and other receivables	1,655,273	1,674,795
Interest accrue investment income	-	64,652
	4,396,054	3,523,914

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
34. Depreciation and amortisation		
Investment property	199,632	261,818
Intangible assets	110,412	104,296
Property, plant and equipment (Refer note 3)	41,514,501	37,238,029
	41,824,545	37,604,143
35. Finance costs		
Non-current borrowings	4,061,825	3,680,196
Finance leases	232,169	206,517
Interest on overdue accounts	8,791	410,655
	4,302,785	4,297,368
36. Auditors' remuneration		
Fees	1,130,041	1,282,311
37. Bulk purchases		
Electricity purchases	72,285,938	65,892,623
38. Cash generated from operations		
Surplus	26,975,841	2,435,859
Adjustments for:		
Depreciation and amortisation	41,824,544	37,598,414
Deemed asset cost	-	(139,169)
Impairment deficit	-	8,532
Increase in contribution to bad debt provision	22,032,800	21,453,003
Movements in operating lease assets and accruals	(7,991)	49,047
Movements in retirement benefit assets and liabilities	2,413,000	(3,398,306)
Movements in provisions	2,046,516	1,097,036
Movement in tax receivable and payable	(705,397)	-
Housing fund	-	(573,095)
Prior period adjustment	-	(3,206,782)
Changes in working capital:		
Inventories	-	56,832,000
Other receivables	(277,650)	(1,194,512)
Consumer debtors	(15,697,135)	(6,546,159)
Other receivables from non-exchange transactions	(15,324,748)	(15,555,973)
Trade and other payables from exchange transactions	(5,356,935)	4,055,137
VAT payable	-	(1,710,106)
VAT receivable	2,521,657	(3,043,784)
Unspent conditional grants and receipts	4,392,339	5,016,803
	64,836,841	93,177,945

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
39. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Main Road 390 / District road 1129 Intersection	-	1,007,057
• Mpophomeni Sportfields	784,246	-
• Sphumelele Road	1,409,450	-
• Mandela Capture Site	17,924,774	-
• Mpophomeni Roads and stormwater phase 10	-	5,489,498
• Khayelisha Road	2,263,992	10,000,000
• Cedara/ Khaya village	778,247	2,500,000
•	-	999,670
	23,160,709	19,996,225
Approved but not yet contracted for		
• Mpophomeni Sportfields	1,500,000	-
• Lidgeton West Sportfields	2,000,000	-
• Khayelisha Roads	4,000,000	1,000,000
• Emandleni	1,000,000	-
• Lions River	1,000,000	-
• Mpophomeni Road Rehabilitation	9,749,000	-
• Sphumelele	1,000,000	1,425,694
• Other	7,000,000	-
	27,249,000	2,425,694

This committed expenditure will be financed as follows:

National and Provincial government and district municipality	27,429,000	21,415,000
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Operating expenditure

The municipality has entered into contractors with suppliers for the provision of debt collection services, printing of statements, maintenance of the valuation roll, maintenance of the credit control system, cleaning services and security services. The total amount of these commitments are as follows.

Approved and contracted for		
Operating expenditure	12,454,364	6,320,499
Operating leases - as lessee (expense)		
Minimum lease payments due		
- Within one year	113,273	301,667
- In second to fifth year inclusive	110,676	168,389
	223,949	470,056

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office property (Pink House) and equipment. Leases are negotiated for 3 years for the rental of the printers, and the lease periods for the Pink House is 3 years. No contingent rent is payable.

The municipality also leases land used for conservation purposes, the lease term for this land is 99 years. No escalation rate is applicable for the lease term.

Lease rentals for the taxi rank and printers escalate by 10% over the lease periods. Lease rentals for the White house are escalated at 8%.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
40. Contingencies		
Mrs Lorain Burns	-	500,000
Skumbuzo Ngubane	-	61,070
Cow Catchers	146,000	300,000
SJ Dlamini	250,000	250,000
Thatheni's Women's contraction	-	10,000
Mafuladi Dlamini and others	-	60,000
Cherly Marian Mostert	20,000	-
Flat 7 Allemans Coart	15,000	-
Nkanyiso Sphehile	50,000	-
Jaques Due Busson	22,000	-
Telkom SA Limited	43,000	-
N Amod	40,000	-
Brightness Thembelihle Hlubi N.O and ano	3,190,000	-
	3,776,000	1,181,070

Cowcatchers vs uMngeni Municipality claim of Attorneys fees resulting in the withdrawal of an application to the High Court by the Municipality. There could be future costs associated with the claim.

SAMWU obo SJ Dlamini vs uMngeni municipality claim for payment of an acting allowance. Transnet Freight VS Occupier of Nottingham Road settlers and uMngeni Municipality claim for an eviction. Municipal to provide alternative accommodation to informal dwellers in the property of transnet, matter postponed Sine die.

Telkom SA Limited vs uMngenu municipality claim of R43 000 for plaintiff alleges municipal tractor damaged telephone lines belonging to Telkom SA.

Brightness Thembelihle N>O and ano vs uMngeni Municipality delictual claim of R5290000 arising from motor vehicle accident on the N3 freeway. Applicant claims the municipality for motor vehicles collision with a live stick on the Freeway which resulted to death.

uMngeni Municipality vs Flat 7 Allemans Court (Howick) eviction matter

uMngeni municipality vs Cherly Marian Mostert claim for damages Potholes - case no 1072/2014.

uMngeni Municipality vs Jaques Due Busson claim for damages, Potholes case 1279/2014

uMngeni Municipality vs Nkanyiso Sphehile Dladla labour dispute

uMngeni Municipality vs N Amod claim for damage Potholes

Transnet Freight Rail vs Occupies of Nottingham Road settlers and uMngeni Municipality claim for an eviction, municipal to provide alternative accommodation to informal dwellers in the property of Transnet. Matter postponed sine die

41. Contingent Assets

An employee in the Traffic Department had misappropriated funds to the value of R9,540. She was found guilty of the misconduct and after the disciplinary hearing a settlement was reached and the employee was to pay R265 per month for the next three years.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
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42. 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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial instruments - 2015	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	18,942,766	-	-	18,942,766
Finance leases	971,769	430,666	-	1,402,435
Annuity loans	3,279,327	11,687,943	17,334,075	32,301,345
	23,193,862	12,118,609	17,334,075	52,646,546
Financial instruments - 2014	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	24,299,701	-	-	24,299,701
Finance leases	1,005,222	1,391,510	-	2,396,732
Annuity loans	3,188,782	10,998,468	20,673,759	34,861,009
	28,493,705	12,389,978	20,673,759	61,557,442

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. The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting where possible for fixed interest rates rather than variable rates.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluate 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.

These financial asset balances represent the maximum exposure to credit risk.

Financial instrument		
Cash and Cash equivalents	8,103,231	8,675,819
Investments	38,548,450	29,797,992
Consumer debtors	31,258,293	32,515,464
	77,909,974	70,989,275

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
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43. Going concern

At June 30, 2015, the municipality had an accumulated Surplus of R 644,473,606 and that the municipality's total assets exceed its liabilities by R 767,052,693.

It is also noted that municipality's unspent conditional grants liabilities are fully cash backed. The unspent grants liability amounts to R 22 223 371 and the municipality has investment to the value R 38 548 450 and cash and cash equivalents to the amount R 8,103,231.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

- Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.
- The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors. A panel of attorneys have been appointed to assist with debt collection of debtors exceeding 90 days.
- Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by conditional grants.
- On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of the Consumer Loss Analysis programme(CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, metered installations and correct the electricity billing cycle. The municipality has budgeted for the installation of smart meters in order to reduce electricity theft.

44. Reconstruction of development Programme (RDP)

There are low cost houses (RDP) registered under uMngeni Municipality in the Deeds office awaiting legal transfer to beneficiaries these properties were funded by Department of Human Settlement and uMngeni Municipality was a implementing agent during the construction of them and were disclosed as inventory on the uMngeni Local Municipality Annual financial Statements . . .

During the audit of 2014 /2015 financial the municipality was advised by Auditor General South africa to remove them from the inventory

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
45. Unauthorised expenditure		
Other expenditure - land fill site	(1,560,632)	(2,486,090)
Depreciation and amortisation	(41,824,544)	(37,604,143)
Construction of Mpophomeni Nodal Development Road P390	(4,271,089)	-
Mpophomeni Roads and Rehab: upgrading Roads in Mpophomeni	(983,935)	-
Debt impairment	(20,049,984)	(20,925,003)
	(68,690,184)	(61,015,236)

The expenditure above has been identified as unauthorised expenditure. The unauthorised expenditure for Construction of Mpophomeni Nodal Development Road P390 & Mpophomeni Roads Rehabilitation: Upgrading Roads in Mpophomeni were incurred due to payments approved post the issue of completion certificates for these projects. Additional text

46. Fruitless and wasteful expenditure

Balance brought forward	825,024	650,300
Interest on late payment of EMP 201	-	601
Interest and penalty on late payment of VAT	1,319,266	541,480
Interest on late payment of Eskom	6,965	3,176
Interest on late payment of other suppliers	1,826	8,030
Amounts condoned by Council	(1,328,057)	(378,563)
	825,024	825,024

The fruitless and wasteful expenditure incurred during the year 2014/2015 amounting to R 1, 328, 057 was condoned by Council.

47. Deviation from supply chain management regulations

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

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

Suppliers in service of the state

The municipality procured credit control software from Tevtal Technology cc . The member of this entity has disclosed that his spouse is in the service of the state.

48. Irregular expenditure

Balance brought forward	17,979,216	3,925,734
Sabinet online and on fire	152,339	14,053,482
Supplier declared- thingz zinto	32,000	-
EPS contract	4,304,187	2,602,310
Khoskhu trading	2,450	-
ELCO Asphalters	3,770,965	-
Rosedale Forecasting	11,250	-
City Lodge and Adams Booksellers	8,524	-
Air Brakes	106,621	-
	26,367,552	20,581,526

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
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48. Irregular expenditure (continued)

Irregular Expenditure- current year

The Municipality detected payments made to Air Brake Services CC who's tax affairs were not in order amounting to R 106, 621.00. The transaction was a deviation in nature and was approved by the Accounting Officer and reported to Council for noting. Payments were made to Air Brakes Services who's tax affairs were not in order resulting in the transaction being an Irregular Expenditure. There were payments made to Thingz Zinto amounting to R 32, 000.00 who declared to be in the service of the state. The contract of EPS was extended through a MANCO and Council resolution and payments were made amounting to R 4, 304, 187.00 and the initial contract could was not produced.

The end-user department sourced a quotation from Rosedale Precast Fencing and only one quotation was sourced amounting to R 11, 250.00. Three quotations were not sourced resulting in the transaction being an Irregular Expenditure.

Bid 54/2013 /2014 wasn't advertised for the minimum days as required by SCM regulation section 22 an amount of R 3 770 965 the motivational letter signed by the acting municipal was submitted to auditors however the reasons were not adequate to deviate from normal processes as a matter of urgency or emergency even the physical verification was done by the auditor was unsuccessful to substantiate the regulation requirements.

The municipality has traded with the following suppliers of which were not on the database on the transaction date City Lodge and Adams booksellers with an amount of R 2 761 and R 5 762 respectively.

The municipality has transacted with the supplier with out MBD 8 being signed with an amount R 152 339.36. The municipality traded with the supplier who is listed on the prohibited supplier under Treasury with an amount R 2 450.

(The irregular reported under 2013/2014 financial year has been reported to Council and the Internal Audit is conducting an investigation).

49. SCM deviations

In terms of regulation 36 of the Municipal Supply Chain Management Regulations, deviations from, and ratification of minor breaches of the procurement process have to be approved by the accounting officer and noted by the Council.

The following deviations were approved by the accounting officer and sent to Council for noting an amount of R 2 225 435 and R 3 859 118 in 2015 and 2014 respectively

Section 36 deviations

2,225,435	3,859,118
(2,225,435)	(3,859,118)
-	-

50. In-kind donations and assistance

During the current financial year, KwaZulu Natal Provincial Treasury appointed resources to assist with the preparation of 2014/2015 Annual Financial Statements.

51. Related parties

There are no related party transactions for the current and prior year.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
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52. Actual operating expenditure versus budgeted operating expenditure

Material differences between budget and actual amounts

Explanations for variances greater than 10% and more than R 1 million noted in the Statement of Comparison of Budget and Actual are as follows:

Commentary on Statement of Financial Performance

Revenue

53.1 Service charges- electricity

The variance is attributed to the electricity losses due to theft, through illegal connections. The municipality has determined that the estimated loss is R 32 million, refer to note 25. The municipality is currently trying to address the losses via the stop electricity theft project.

53.2 Other income

The municipality accounts for income forgone from electricity and refuse, as part of the other income. This income is not actually received from the consumers, but is included for budgets purposes. This amount has resulted in a variance between the actual and budget amount

53.3 Interest received- investments

Mandela capture site grant was received in December 2013, additional amount was received in September and March respectively. These funds were invested in a fixed deposit account. This additional investment interest was not taken into account during the budgeting process. *

53.5 Fines

The Municipality has recognised fines in terms of revised IGRAP 1. The budget was prepared based on the expected cash receipts from traffic fines. This has resulted in a difference between the actual and budgeted amount.

53.4 Property rates- penalties imposed

Penalties are charged on outstanding debt in line with municipal property rates and credit control policy. The municipality currently had higher than anticipated debtors on which penalties have been imposed.

Expenditure

53.6 Personnel

The key post of the municipal manager remained in the 2014/15 financial year. In addition to this, and actuarial gain of R 5 million for medical aid and long service valuations performed by the actuaries has been recognised as part of the personnel cost, decreasing the actual cost at the reporting year end.

53.7 Depreciation

Infrastructure depreciation was under budgeted for, which has resulted in a variance between budgeted and actual amounts.

53.8 Debt impairment

In the current year the municipality has* accounted for traffic fines in terms of revised IGRAP 1. Debt impairment includes calculation of traffic fines considered impaired by the Municipality. This impairment was not budgeted for in the financial year. In addition to this, Council approved 9.1 million debt write off consumer accounts which has resulted in a variance between actual and budget.

53.9 General expenses

Actual general expenditure reported includes landfill site contribution which was not budgeted for in the 2013/14 budget. In addition, the Municipality incurred expenditure in excess of the budget for valuation roll services, which also contributes towards the variance between actual and budget. The municipal manager was employed by the municipality as a consultant from Africa Mayibuye Leadership and

53.10 Repairs and maintenance

In the previous financial year, the municipality appointed a service provider to assist with road maintenance (fixing pot holes). The municipality budgeted a similar amount for pot hole road maintenance which was not fully utilised in the current financial year. This has caused the variance between the budgeted and actual amount reported.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2015

	2015 R	2014 R
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52. Actual operating expenditure versus budgeted operating expenditure (continued)

53.11 Grants and subsidies paid

The municipality has noted unspent grant of an operating nature. Reasons for understanding are as follows:

- a) Financial management grant - A service provider has been appointed to assist with the completion of the fixed asset register, this exercise was not complete at the end of the financial year, this has contributed to variance in actual and budgeted amount.
- b) Data cleansing grant - The final phase of the data cleansing project had not started at the end of the financial year, this has contributed to variance in actual and budgeted amount.
- c) Municipal systems improvement grant - A service provider has been appointed to assist with the development and redesigning of the municipal website, this exercise was not complete at the end of the financial year, this has contributed to variance between the actual and budgeted amount.

53.12 Bulk purchases

The municipality embarked on "a stop electricity theft project" in July 2013. The project focused on solving root causes of electricity theft e.g. illegal connections, tempering of prepaid and conventional metre systems. The corrective interventions have had a direct impact on the purchasing levels of bulk electricity. The municipality also instructed the appointed service provider for electricity services to do hard disconnection for households with long over due accounts. This is also had an impact on the purchasing levels of bulk electricity.

53. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

54. Additional Disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Council subscriptions	-	789,360
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Audit fees

Opening balance	559,327	567,271
Current year Audit fee	570,714	1,397,141
Amount paid - current year	(1,130,041)	(1,405,085)
	-	559,327

VAT

VAT received (paid) for the year	-	4,530,647
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PAYE and UIF

Current year payroll deductions	10,316,083	9,571,888
Amount paid - current year	(10,316,083)	(9,571,888)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	21,608,970	17,907,002
Amount paid - current year	(21,608,970)	(17,907,002)
	-	-

There were no amounts due from Councillors and staff at as the end of the year.

Notes to the Annual Financial Statements (continued)



for the year ended 30 June 2015

	2015 R	2014 R
55. Prior period adjustment		
Adjustments were made to correct the following errors in the prior years:		
Adjustment to 2012/13 financial year		
Assets transferred to the Department of Health in term of the agreement with respect to assets under the control of the clinic were not accounted for 2012/2013	-	-
Decrease in property plant and equipment	-	(70,541)
Increase in Accumulated surplus	-	70,541
Work in progress had been overstated due to incorrect recognition of expenditure as work in progress		
Decrease in property plant and equipment	-	(5,149,734)
Decrease in accumulated surplus	-	5,149,734
	<u>-</u>	<u>-</u>
Capital work in progress had been incorrectly expensed in prior years		
Increase in property plant and equipment	-	11,406,367
Increase in accumulated surplus	-	(11,406,367)
Adjustment 2013/2014 financial year:	-	-
Work in progress has been incorrectly expensed in the 2013 /2014 financial year	-	-
Increase in property plant and equipment	-	10,377,368
Increase in accumulated surplus	-	(10,377,368)
Reversal of depreciation incorrectly recognised in 2013/2014 financial year relating to transferr of clinics to the Department of Health	-	-
Increase in surplus for the year	-	5,754
Increase in property plant and equipment	-	(5,754)
Recognition of depreciation on completed projects which had been incorrectly recognised as work in the progress:	-	-
Decrease in surplus for the year	-	(440,187)
Decrease in property plant and equipment	-	440,187
Recognition of property plant and equipment	-	-
Increase accumulated surplus	-	2,384,882
Decrease in property plant and equipment	-	(2,384,882)
Recognition of Heritage assets	-	-
Decrease in Heritage assets	-	60,000
Increase in accumulated surplus	-	(60,000)
Derecognition of Inventory	-	-
Decrease in Inventory	-	(56,832,000)
Decrease in Accumulated Surplus	-	56,832,000
Increase in Inventory	-	27,489,000
Increase in accumulated surplus	-	(27,489,000)
Recognition of depreciation on landfill site	-	-
Decrease accumulated surplus	-	8,082,533
Increase accumulated depreciation on landfill site	-	(8,082,533)
	<u>-</u>	<u>-</u>

Report of the Auditor-General

for the year ended 30 June 2015

Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the Council on uMngeni Municipality

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the uMngeni Municipality set out on pages 74 to 127, which comprise, the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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 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, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. 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.
4. 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 municipality'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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMngeni Municipality as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Material losses/impairments

7. As disclosed in note 25 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 30 June 2013 in the financial statements of the uMngeni Municipality at, and for the year ended, 30 June 2012.
8. Consumer debtors as per note 10 and receivables from non-exchange transactions as per note 11 were impaired to the amount of R27,57 million (2014: R32,33 million) and R10,88 million, respectively, as a result of poor collection of outstanding debts.

Report of the Auditor-General (continued)



for the year ended 30 June 2015

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)(PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for Development objective C: Economic infrastructure development and maintenance presented in the annual performance report of the municipality for the year ended 30 June 2015.
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National treasury's *Framework for managing programme performance information (FMPPPI)*.
13. I assessed the reliability of the reported information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information of the Development objective C: Economic infrastructure development and maintenance.

Additional matters

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

16. Refer to the annual performance report on pages 74 to 75 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Development objective C: Economic infrastructure development and maintenance. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

19. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Report of the Auditor-General (continued)

for the year ended 30 June 2015

Procurement and contract management

20. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids as required by Supply chain management (SCM) regulation 19(a) and 36(1).
21. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) & 22 (2).

Human resource management and compensation

22. The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57 (2)a of the Municipal Systems Act of South Africa, 2000 (Act No.32 of 2000).

Expenditure management

23. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.

Liability management

24. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

25. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on compliance with legislation included in this report.

Leadership

27. The instability of critical vacancies have had a direct impact on the oversight function performed by the leadership resulting in material misstatements in the initially submitted financial statements, repeat findings in certain areas as well as material findings on non-compliance as reported in the compliance section of this report.

Financial and performance management

28. The system of daily and monthly controls was not adequate to support accurate financial and performance reporting. The control environment was not designed to enable the reconciliation processes in certain areas of being performed.

Pietermaritzburg

27 November 2015





Conclusion

The Annual Performance Report 2014/2015 presents a positive reflection of the Municipality's performance/achievements based on the basic service delivery general KPIs as per the Municipal Planning and Performance Regulations (chapter 3). Furthermore, the progress made on performance reporting by the different departments is commendable, even though there is still room for improvement.

The biggest challenge reported is staff shortage. This is closely linked to the gaps (vacancies and omission) in the current organisational structure. This therefore is a clear indication that the Management Committee through Council, needs to revise and implement a new, all-encompassing organisational structure.

Finally, as the next financial year marks the end of term of office for the current Council, it is essential that performance management system is revised and improved to ensure that it measures impact of the services delivered in the five years' period. This means including impact assessment (including customer surveys) in the ensuing financial year.



Notes

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