

MKHAMBATHINI MUNICIPALITY

ANNUAL REPORT



2014/2015

FOR THE COMMUNITY'

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LEGISLATIVE MANDATE

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that “

Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.





The purpose of an annual report is-

To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;

To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and

To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

THE ANNUAL REPORT OF THE MUNICIPALITY MUST INCLUDE-

-  *The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
-  *The Auditor General report in terms of section 126 (3) on those financial statements.*
-  *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
-  *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*

- + An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
- + An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality's approved budget for the relevant financial year;*
- + Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*
- + Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
- + Any information as determined by the municipality;*
- + Any recommendations of the municipality's audit committee; and*
- + Any other information as may be prescribed.*
- + The annual report of a municipal entity must include-*
- + The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
- + The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
- + An assessment by the entity's accounting officer of any arrears on those financial statements;*
- + An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
- + Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
- + Any information as determined by the entity or its parent municipality;*
- + Any recommendations of the audit committee of the entity or its parent municipality; and*
- + Any other information as may be prescribed."*



GLOSSARY OF TERMS

AG	-	<i>Auditor-General</i>
BEE	-	<i>Black Economic Empowerment</i>
COGTA	-	<i>Co-operative Governance and Traditional Affairs</i>
DBSA	-	<i>Development Bank of South Africa</i>
DAERD Development	-	<i>Department of Agriculture, Environmental Affairs and Rural</i>
DME	-	<i>Department of Minerals and Energy</i>
DOE	-	<i>Department of Education</i>
DOH	-	<i>Department of Housing</i>
DORA	-	<i>Division of Revenue Act</i>
DOT	-	<i>Department of Transport</i>
DWAF	-	<i>Department of Water Affairs and Forestry</i>
EPWP	-	<i>Extended Public Works Programme</i>
GIS	-	<i>Geographical Information System</i>
HIV/AIDS	-	<i>Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome</i>
ICT	-	<i>Information Communication Technology also referred to as IT</i>
IDP	-	<i>Integrated Development Plan</i>
IDP RF	-	<i>Integrated Development Plan Representative Forum</i>
IWMP	-	<i>Integrated Waste Management Plan</i>
KPI	-	<i>Key Performance Indicator</i>
KZN	-	<i>KwaZulu-Natal</i>
LED	-	<i>Local Economic Development</i>
LRAD	-	<i>Land Redistribution for Agricultural Development</i>
MEC	-	<i>Member of the Executive Council (Local Government and Traditional Affairs)</i>
MFMA	-	<i>Municipal Finance Management Act No. 56 of 2003</i>
MIG	-	<i>Municipal Infrastructure Grant</i>
MPAC	-	<i>Municipal Public Accounts Committee</i>
MTCF	-	<i>Medium-term Capital Framework</i>
MTEF	-	<i>Medium-Term Expenditure Framework</i>
MTSF	-	<i>Medium-Term Strategic Framework</i>



NHBRC	-	<i>National Home Builders Registration Council</i>
NSDP	-	<i>National Spatial Development Perspective</i>
NWMS	-	<i>National Waste Management Strategy</i>
PSEDS	-	<i>Provincial Spatial Economic Development Strategies</i>
PGDS	-	<i>Provincial Growth and Development Strategy</i>
PMS	-	<i>Performance Management System</i>
PIMS	-	<i>Planning, Implementation and Management System</i>
PMS	-	<i>Performance Management System</i>
PPP	-	<i>Public-Private Partnership</i>
RDP	-	<i>Reconstruction and Development Programme</i>
RSC	-	<i>Regional Service Centre</i>
SCOPA	-	<i>Standing Committee on Public Accounts</i>
SDBIP	-	<i>Service Delivery and Budget Implementation Plan</i>
SDP	-	<i>Site Development Plan</i>
SCM	-	<i>Supply Chain Management</i>
SMME	-	<i>Small, Medium and Micro Enterprise</i>
TA	-	<i>Tribal Authority</i>
WSB	-	<i>Water Services Backlog</i>

CHAPTER 1

Mayors Foreword



One of the key milestones of Local Government is to ensure accountability and transparency in municipal matters and in terms of the Municipality one of those matters is to table the annual report which is a count of progress made in addressing service delivery. Whilst the role of my office has been to provide political guidance and ensuring that the Governance structures exist and are functional, it is also the mandate that is granted and contained in the Municipal Finance Management Act that I present this report to all Mkhambathini Municipalities stakeholders.

Section 127 (3) of the Local Government Municipal Finance Management Act 56 of 2004 states that, “*the Mayor of a municipality must, within seven months after the end of the financial year, table in the Municipal Council the Annual Report of the Municipality and of any Municipal Entity under the Municipality’s sole or shared control*”.

It is therefore my pleasure to present this Annual Report of Mkhambathini Local Municipality for the period 2014/2015 to Council, the Mkhambathini community, the National and Provincial Treasury, the Local Government and the Auditor General and other stakeholders.

Despite all challenges that the Municipality faces including the length in which it took us to fill the position of the Chief Financial Officer the municipality has managed to survive with the limited resources we had. Furthermore, the poor sources of revenue have prevented us to achieve most our set targets and also to ensure that our workforce is capacitated through training and development. This also affected our economic activities, therefore prevented us from capping high poverty and illiteracy rates as well as high exit of skilled staff to the size of the Municipality.

The Municipality has managed to maintain unqualified audit opinion with the assistance of our Financial Services Staff, and the Municipal Internal Auditors who ensured that the systems of internal control are safeguarded to prevent negative opinion from the Auditor General. Council has note the Auditor General's Comments and an action plan have been developed to assist use in ensuring that those areas which prevented the Municipality from achieve clean audit are monitored and reoccurrence are minimised.

I would like to thank Mkhambathini community for continuously believing in us. Participating in our programmes, their willingness to be part of the collective and for taking care of their assets and investments. I would also like to extent my gratitude to my fellow Councillors, the Audit Committee, Senior Management and staff for their undivided commitment to collectively participate in Council's development Agenda. We will be enhancing the participation of ward committees to ensure that we reach all corners of Mkhambathini to facilitate and fast-track service delivery.

MUNICIPAL MANAGERS FOREWORD

The immense task of being in the game of Local Government Institution is to successfully balance good governance, public participation and sound financial management. Our development duties as local government are to structure and manage administration, budgeting and planning processes and give priority to the basic needs of the community and also to promote the social and economic development of the community. The municipality has strive to achieve some of the goals that the municipality sets for itself that those that are set by our government.

The main issue of concern within the Municipality has been to strengthen our financial viability and ensure growth of our revenue base. This is a daunting task indeed. While the municipality continuously billed it customers the rate of payment for services has drastically failed to match the amount billed for each month. This is our area of concern, since it perpetual occurrence will undermine our financial viability. Measures that seek to address the situation has been developed.

The concerted effort exerted in 2014/2015 has encouraged the council to excel and do more during the next financial year. I am grateful to Mkhambathini Municipal Management and staff members who have made it possible for Council to make a positive impact to local communities. Our Governance structures, the Audit Committee and our Internal Auditors have continuously encourage us to do better through constructive criticisms.

Mr M CHANDULLAL







Acting Municipal Manager

VISION

By the Year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic services, social, economic and environmental development.




MISSION STATEMENT

Mkhambathini Municipality commits itself to the following:

-  *Upholding our leadership vision;*
-  *Working with integrity in an accountable manner towards the up-liftment of the community;*
-  *Protecting and enhancing the interest of our clients at all times*
-  *Consistently performing our function with transparency honesty and dedication in dealing with clients;*
-  *Responding promptly to the needs of our clients;*
-  *Subscribing to the Batho Pele principles*

DEVELOPMENT GOALS

The following long term development goals have been identified based on the below performance areas:

-  *To build an efficient and sustainable local government structure;*
-  *To promote an equitable access to infrastructure and basic services;*
-  *To create a condition conducive to economic development;*

- ✚ *To promote sustainable social and economic development;*
- ✚ *To create a spatial framework that facilitate an equitable distribution of development;*
- ✚ *To promote sustainable and integrated land use pattern.*

MUNICIPAL FUNCTIONS, MANDATE, POPULATION AND ENVIRONMENTAL OVERVIEW

In terms of section 84 of the Local Government: Municipal Structures Act No. 117 of 1998, the Mkhambathini Local Municipality has the following powers and functions

- ✚ *Integrated Development Planning;*
- ✚ *Solid waste disposal;*
- ✚ *Regulation of passenger transport services;*
- ✚ *The establishment, conduct and control of fresh produce markets and abattoirs;*
- ✚ *The establishment, conduct and control of cemeteries;*
- ✚ *Promotion of local tourism for the area;*
- ✚ *The imposition and collection of taxes, levies and duties as related to the above functions;*
- ✚ *Municipal roads;*
- ✚ *Municipal public works relating to any of the above functions.*

MANDATES

The legislative mandates exercised by the municipality in terms of the local government legislative framework are as follows:

- ✚ *Local Government: Municipal Structures Act, 117 of 1998;*
- ✚ *Local Government: Municipal Systems Act, 32 of 2000;*
- ✚ *Local Government: Municipal Finance Management Act, 56 of 2003;*
- ✚ *Local Government: Municipal Planning and Performance Management Regulation, 2001;*
- ✚ *Local Government: Municipal Property Rates Act, 6 of 2004;*
- ✚ *Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager, 2006;*
- ✚ *Local Government: Development Facilitation Act;*
- ✚ *Local Government: Municipal Demarcation Act, 27 of 2008;*

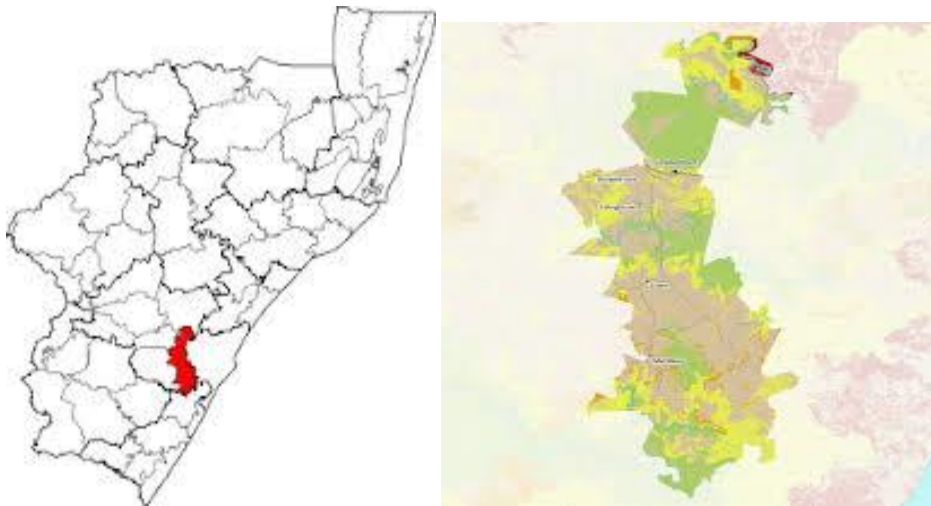
- ✚ *Disaster Management Act, 57 of 2002;*
- ✚ *Intergovernmental Relations Framework Act, 13 of 2005;*
- ✚ *Remuneration of Public Office Bearers Act, 20 of 1998;*
- ✚ *Organised Local Government Act, 52 of 1997;*

SUPPORTING MANDATE

- ✚ *The Constitution of the Republic of South Africa, 1996;*
- ✚ *White Paper on Transforming Public Service Delivery (Batho Pele), 1997*
- ✚ *White Paper on Service Delivery.*

POPULATION AND DEMOGRAPHICS

GEOGRAPHIC AND DEMOGRAPHIC PROFILE

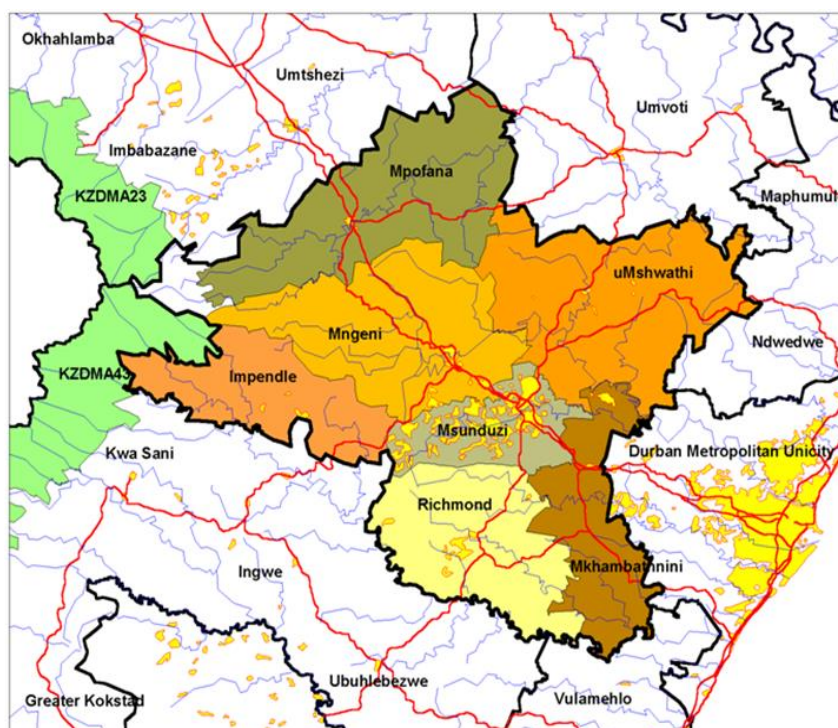


Mkhambathini Local Municipality was established in terms of Section 155(1) (b) of the Constitution of the Republic of South Africa (1996) following the 2000 local government elections. It is one of the seven (7) category B municipalities comprising UMgungundlovu District Municipality. It shares municipal executive and legislative authority with UMgungundlovu District Municipality.

Mkhambathini Local Municipality is situated along the southern-eastern periphery of UMgungundlovu District Municipality and adjoins Richmond and Msunduzi Local Municipalities to the west, uMshwati

Local Municipality to the north and Durban/eThekweni Metropolitan area to the east, the Camperdown area is only 30 minutes away from Durban's international airport and Africa's busiest harbour.

Agricultural production centres on vegetables grown for local and hinterland fresh produce markets, maize and sugar cane (processed through a mill at Eston). The area features the second highest concentration of poultry producers in the world, supported by a network of service suppliers, as well as pig and beef farming. Tourism is centred on African experiences, with attractions such as the Tala Game Reserve, Nagle Dam and Umgeni Valley



uMgungundlovu District is comprised of seven local municipal entities as reflected in the map. These include:

- KZ221 – Umshwathi
- KZ222 – Umgeni
- KZ223 – Mpofana
- KZ224 – Impendle
- KZ225 – Umsunduzi
- KZ226 – Mkhambathini
- KZ227 – Richmond

POPULATION

The total size of Mkhambathini Local Municipality population is estimated at 63 142 people. Further details pertaining to the population are reflected in the tables below:

Ward	Ward	Ward	Ward	Ward	Ward	Ward
1	2	3	4	5	6	7
12889	9213	6785	8720	10859	6378	8298

In terms of 2011 Census Survey, Mkhambathini Municipality has a total of 63142 people. Out of this number, statistics show that 16 260 voters were registered as at June 2012 (IEC Statistics).

Total Population within uMgungundlovu District



Municipality	Population in number	Population in %
DC22 uMgungundlovu	1 017 763	9.6% of province
KZN221 Umshwathi	106 374	11% of district
KZN225 Msunduzi	618 536	61% of district
KZN222 uMngeni	92 710	9% of district
KZN223 Mpofana	38 103	4% of district
KZN224 Impendle	33 105	3% of district
KZN226 Mkhambathini	63 142	6% of district
KZN227 Richmond	65 793	5% of district

Source: *Census 2011*



Population Grouping

Population Groups	Black African %	Coloured %	Indian/Asian %	White %	Total
Census 2011	94.8%	0.3%	1.0%	3.7%	100%

Population Groupings by Age

Age by Gender - Census 2011

Age Group	Male	Female	Total Age Group
0-4	3677	3720	7397
5-9	3208	3143	6351
10-14	3174	3085	6259
15-19	3441	3306	6747
20-24	3423	3395	6818
25-29	3011	3108	6119
30-34	2186	2306	4492
35-39	1805	1969	3774
40-44	1366	1656	3022
45-49	1237	1609	2846
50-54	955	1331	2286
55-59	961	1194	2155
60-64	773	1042	1815
65-69	459	625	1084
70-74	255	528	783
75-79	152	333	486
80-89	119	305	424
85+	67	216	284
Total	30270	32872	63142

Households Census 2011

Number of Households	
14964	

Dwelling Type (Census 2001-2011)

	1996	2001	2011
Formal	4073	5779	7316
Informal	106	194	464
Traditional	3936	6534	6948

Graphical Household information

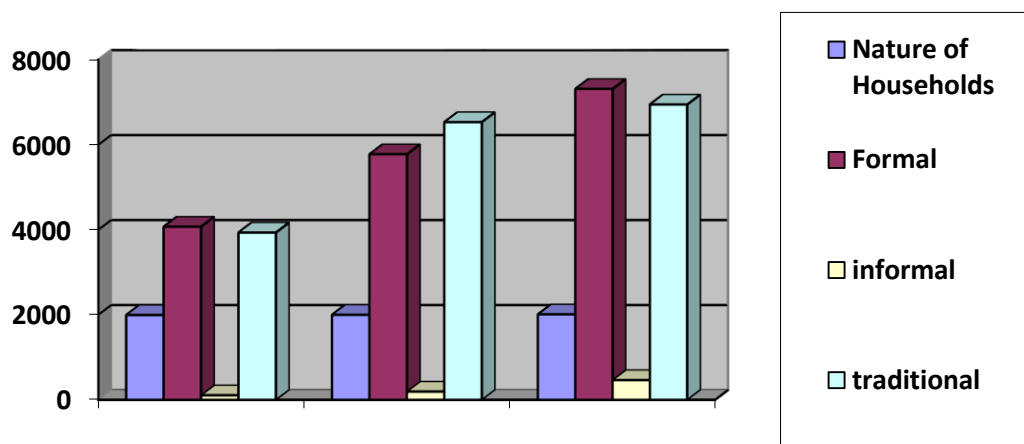




Table 1 : Billing Sample for June 2015

Rates Collection Billing for June 2015	
Billing	
Collection	
Net- Effect	
Overall Percentage	



KEY CHALLENGES

KEY PERFORMANCE AREA	CHALLENGES
Institutional Transformation and Development	Loss of Skilled Employees Failure to implement the WSP Updated By-Laws
Service Delivery	Poor Infrastructure Maintenance Poor Access to Infrastructure and Services
Economic Development	High Level of Unemployment High Level of Poverty Lack of SMME Support Lack of Skills
Good Governance and Public Participation	Lack of dedicated personnel to deal with Public Participation
Financial Viability	Insufficient own Revenue Non Payment for Services Reliance on Grants
Spatial and Environmental Management	Lack of Land Fill Site

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	July

	process plan should confirm in-year reporting format to ensure that reporting and monitoring feeds seamlessly into the annual report process at the end of the budget/IDP implementation period.	
2.	Implementation and monitoring of approved Budget and IDP commences (in-year financial reporting).	
3.	Finalise the 4 th quarter Report for the previous financial year.	
4.	Submit draft year 0 Annual Report to Internal Audit and Auditor General.	
5.	Municipal entities submit draft annual report to MM	
6.	Audit/Performance Committee consider draft annual report of municipality and entities (where relevant)	August
7.	Mayor table the unaudited annual report	
8.	Municipality submit draft annual report including consolidated annual financial statements and performance report to Auditor General.	
9.	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase.	
10.	Auditor General Audit Annual Report including consolidated Annual Financial Statements and Performance Data.	
11.	Municipalities receive and start to address the Auditor General's Comments	September/October
12.	Mayor tables Annual Report and audited Financial Statement to Council complete with the Auditor General's Report	November
13.	Audited Annual Report is made public and representation is invited.	
14.	Oversight Committee Assesses Annual Report.	
15.	Council Adopts Oversight Report	
16.	Oversight Report is Made Public	December
17.	Oversight Report is submitted to relevant provincial treasury	

18	Commencement of draft Budget/IDP finalisation for the next financial year. Annual Report and Oversight Reports to be used as input	January
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CHAPTER 2 : GOVERNANCE

In order to promote accountability to the local community for the decisions made throughout the year by the municipality as per Section 121 (2)(c) of the Municipal Finance management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional. Both the political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2013/14. Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance.

GOVERNANCE STRUCTURES

POLITICAL GOVERNANCE

In terms of the Municipal Structures Act, the Municipality established the following political governance structures.

Executive Committee

The Executive Committee (EXCO) consist of four members, representative of three political parties. The EXCO is the principal structure that governs the municipal operations and as such, convenes on a monthly basis. The EXCO makes recommendations to Council emanating from discussions made to Council Committees level.

MEMBER	NUMBER OF MEETINGS ATTENDED 2014/2015
Cllr T.E. Maphumulo	12
Cllr C.T. Mkhize	9
Cllr M. Nene (Passed on and replaced by Cllr M. Ntuli)	11
Cllr E Ngcongo Ex Officio	12

Council

In terms of Section 152 of the Constitution, the Council has convened to ensure the adoption of the IDP/Budget and PMS Process. The IDP, Budget, Organisational Scorecard, SDBIP, Performance Management related reports and other service delivery related deliberations.



MEMBER	NUMBER OF MEETINGS ATTENDED
	2014/2015
Clr T. E. Maphumulo	19
Clr C.T. Mkhize	19
Clr E. Ngcongco	21
Clr N. Zondo	17
Clr S. Mthethwa	20
Clr R. N. Lembethe	20
Clr T.A. Gwala	18
Clr M.M.M. Magubane	17
Clr T.Z. Maphumulo	18
Clr M. Nene (passed on replaced by K.R. Mofokeng)	19
Clr M.R. Ntuli	21
Clr F. Msomi (passed on replaced by R.B. Mkhize)	5 and 2 respectively
Clr M. Ngcongco	17
Clr M.M. Lembether	15
iNkosi S.E. Mdluli	7
iNkosi L.D. Mkhise	6

Portfolio Committees

The establishment of portfolio committees is in line with Section 79 of the Municipal Structures Act No 117 of 1998.

Municipal Public Accounts Committee

The Municipal Public Accounts Committee (MPAC) is a structure that is responsible for exercising oversight on both the executive and administration. During the year under review, the MPAC was not fully operational due to the non-co-ordinated efforts to ensure its functionality.





Member	Number of Meetings Attended 2014/2015
Cllr. R.N. Lembethe(Chairperson)	4
Cllr. M.M. Lembethe	4
Cllr. T.Z. Maphumulo	1
Cllr. T.A Gwala	1
Cllr. F.P. Msomi (passed away)	1
Cllr. H.S. Mtetwa	3

Mkhambathini is a category B Municipality in terms of the Structures Act, comprising of 7 wards. In terms of seats allocation summary per municipality received from the Municipal Electoral Officer in May 2011, the names of the elected parties and the number of the respective councillors elected were as follows:






POLITICAL PARTY	NUMBER OF WARD COUNCILLORS	NUMBER OF REPRESENTATIVE COUNCILLORS	NUMBER OF SITS IN COUNCIL
African National Congress ANC	7	2	9
Inkatha Freedom Party (IFP)	0	1	1
National Freedom Party (NFP)	0	3	3

Democratic Alliance (Da)	0	1	1
Total	7	7	14

There are four portfolio committees appointed by Council. These committees are aligning to the functions of various departments of the Municipality;

-  Budget & Treasury Portfolio Committee : Chief Financial Officer
-  Corporate Services Portfolio Committee : Manager: Corporate Services
-  Technical Portfolio Committee : Manager: Technical Services
-  Community Services Portfoli : Manager: Community Services

There are other forums and committees that are operational in the Municipality and those committees and forums are as follows;

-  Local Labour Forum;
-  Integrated Development Plan Representative Forum;
-  Oversight Committee
-  Audit Committee
-  Budget Steering Committee

Mayor Cllr T.E. Maphumulo



The Mayor is tasked with the identification and prioritisation of community needs, drafting strategies to deliver those needs and to oversee the delivery of services by the Municipality's administration, whilst ensuring that municipal finances are in good order and the risk factors are minimised.

DEPUTY MAYOR



The Deputy Mayor is responsible for ensuring the functionality of ward committees and also overseeing the functional of special programmes of the Municipality

Speaker of Council



The Speaker is the Chairperson of Council Presiding over Council Meetings in Accordance with Council's Standing Rules.



The party-political and demographic representation of Councillors is reflected in the table below:

POLITICAL PARTY	ALLOCATION OF SITS	GENDER DISTRIBUTION	
		MALE	FEMALE
African National Congress	9	8	1
Democratic Alliance	1	1	0
Inkatha Freedom Party	3	1	2
National Freedom Party	1	0	1
TOTAL	14	10	4

COUNCILLORS

Cllr.T. E Maphumulo	Mayor EXCO Member (Chairperson)
Cllr.C.T. Mkhize	Deputy Mayor EXCO Member
Cllr.E Ngcongco	Council Speaker
Cllr.R.N. Mofokeng	HR
Cllr. N. Zondo	EDP Member
Cllr. H.S. Mtetwa	HR Portfolio and MPAC Member
Cllr. R.N. Lembethe	MPAC Member (Chairperson)
Cllr T. A. Gwala	MPAC Member
Cllr M.M. Magubane	EXCO/Finance Portfolio Member /EDP
Cllr. M.R. Ntuli	Finance Portfolio Member
Cllr. M.M Lembethe	HR Portfolio and MPAC Member



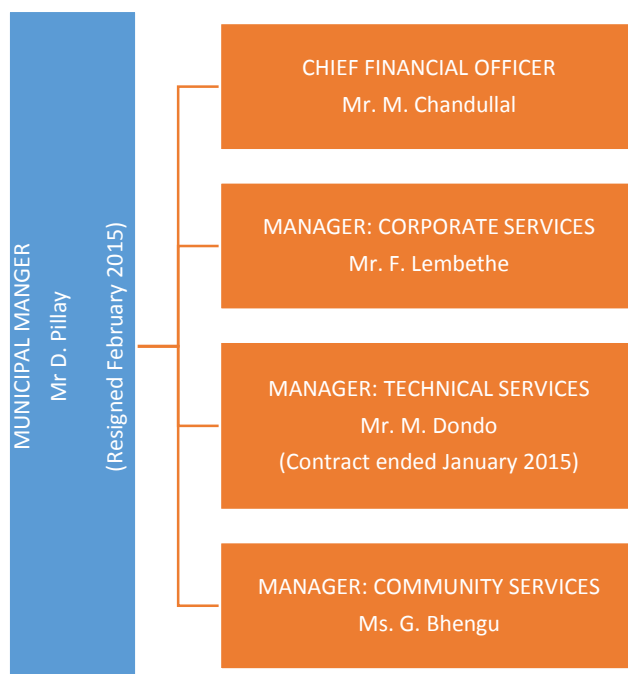
Clr M. Ngcongo	MPAC Member
Clr T. Z. Maphumulo	EDP Member
Clr F.P. Msomi (passed away)	MPAC MEMBER
Clr C.T. Mkhize	LLF/HR

ADMINISTRATIVE GOVERNANCE STRUCTURES

MUNICIPAL MANAGER (RESIGNED IN FEBRUARY 2015)

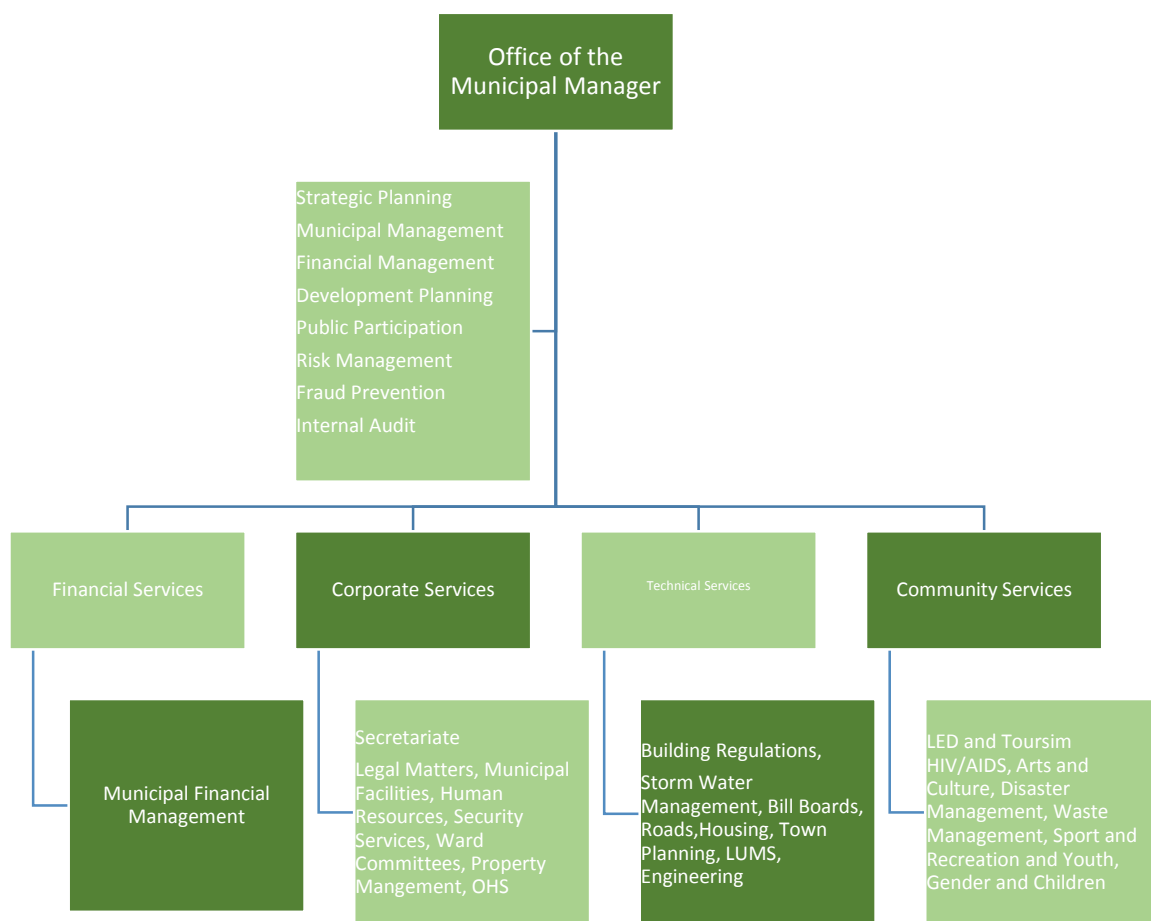
Mr D Pillay

The Municipal Manager is the accounting officer of the Municipality, providing leadership on issues of governance. The Municipal manager heads the Municipal Governance and is a Chairperson of Management Committee. He is responsible for the day-to-day management and administration of the Municipality. The Municipal Manager Operates in terms of the relevant section in the Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Act. In discharging his responsibilities in the 2013/2014 financial year, the Municipal Manager was assisted by the Management Team, as represented in the diagram below:





Powers and Functions



Staff Compliments as at 30 June 2015

Department	Number of Filled Positions	No of Vacant Position
Office of the Municipal Manager	0	1
Corporate Services	1	1
Financial Services	0	1
Technical Services	1	1
Community Services	1	1

WARD COMMITTEE STRUCTURES

Ward 1

MEMBER	GENDER		SECTOR REPRESENTED
	Male	Female	
Cllr. Zondo Nhlanhla	✓		ALL
Phungula Nomusa B		✓	NGO & Env Affairs
Mbele Msitheli A	✓		Religion/ Water and Sanitation
Mncube Ziphozonke A		✓	Arts and Cluture, Education
Dladla Jabulani A	✓		Disaster and Housing
Xaba Nonhlanhla M		✓	Transport
Maphumulo Nkosinathi	✓		Youth and Sports
Gcumisa Slindile Z		✓	Traditional Healers and Home Affairs
Ndlovu Nobuhle		✓	Social Welfare
Ngcobo Siyabonga G	✓		Traditional Healers and Safety

Ward 2

MEMBER	GENDER		SECTOR REPRESENTED
	Male	Female	
Cllr Mtetwa Siboniso	✓		
Zulu Charity		✓	Education
Thungwa Siyabonga M	✓		
Shelembe Winnet	✓		Arts and Culture
Mdluli Ndumiso J	✓		Youth
Phetha Simphise A	✓		Transport
Gumede Philani	✓		Sports and Recreation
Zondi Joyce N		✓	Women
Ntombela Sithembile		✓	NGO
Mlaba Siyabona M	✓		Housing
Ngidi Sipiwe	✓		Traditional Leaders

Ward 3

MEMBER	GENDER		NUMBER OF MEETINGS ATTENDED
	Male	Female	
	✓		
Cllr Lembethe Njabulo	✓		
Nkomo Toola		✓	Dister and Waster Collection
Phetha Sifiso	✓		HIV and Aids and Education

Ward 4

MEMBER	GENDER		SECTOR REPRESENTED
	Male	Female	
	✓		
Cllr. Gwala Thembalikhho A	✓		
Dlamini Buyiswa		✓	Farm Residents
Mkhize Sibukeleni P	✓		Traditional Leaders
Magwanyana Wiseman M	✓	✓	Rate Payers Ass
Gumede Zingingi	✓		Education
Mtolo Nkosikhona	✓		Health
Hlongwa Lucky N	✓		Sports and Youth
Mthethwa Lindiwe		✓	Disaster and NGO
Mncwabe Mlungisi R.	✓		Art and Culture
Ngcongong Mthinteni D	✓		Taxi Association

Ward 5

MEMBER	GENDER		NUMBER OF MEETINGS ATTENDED
	Male	Female	

Cllr. Mkhize Thulani	✓		
Shezi Bongiwe		✓	Social Development
Hadebe Lungile		✓	Housing
Ngwane Mabuyi		✓	Econ Development
Mkhize Dingisono J	✓		Safety and Security
Phewa Fikile		✓	Gender
Phewa Clifford	✓		Youth
Luthuli Thulasizwe M	✓		Art and Culture
Shezi Zama Purity		✓	Sport and Recreation
Mkhize NCamisile		✓	Health/ Traditional Affairs
Mtungwa Kusakusa M	✓		Agriculture

Ward 6

MEMBER	GENDER		Sector Represented
	Male	Female	
Cllr. Ngcongco Eric	✓		
Mchunu Bongani	✓		Housing and Agriculture
Wanda Nokubonga		✓	Women and Youth
Mkhize Senzo Z	✓		Education and Sports
Dlamini Ottilia BB		✓	
Nzama Patricia S		✓	Disaster
Ngcongco Busisiwe		✓	Transport
Mtolo Thembisile		✓	Safety and Security
Mkhize Thulani	✓		Health Social Dev and Farm
Zuma Elpheus S.	✓		Traditional Leaders

Ward 7

MEMBER	GENDER		NUMBER OF MEETINGS ATTENDED
	Male	Female	
Cllr Magubane Mapitso	a		
Ndlovu Ntombifuthi P		A	Women/ Housing
Nene Zanele		A	Education/Environment and Health
Dlamini Duduzile M		A	Sport and Recreation
Jiyane Busisiwe Z		A	Arts and Culture
Mafu Lindelani	A		Youth Desk
Ngubane Nompumelelo N		A	Loc Econ Dev
Ngidi DIngiswayou M	A		Tourism and Home Affairs
Mncwabe Mandla	A		

Madlala Japhet B	A		Agriculture/Transport
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INTERGOVERNMENTAL RELATIONS

The inter-governmental Relations Framework Act (Act No 13 of 2005), requires that all sphere of government coordinate, communicate, align and integrate service delivery effectively, and to ensure access to services. In this regard Mkhambathini Municipality complies with this provision. Mkhambathini Municipality further participate in the Provincial and District Forums.

These forums provide a platform for engagement on the approval of projects and for coordination and monitoring of expenditure of funded projects.

PUBLIC PARTICIPATION



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.

Another mechanism of public participation is conducted through Mayoral Budget and Integrated Development Plan (IDP) Izimbizo. These are held prior to developing the draft budget in order to provide feedback to the community on the implementation of projects in the current financial year.

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	No
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 calculate 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	

CORPORATE GOVERNANCE

In general, corporate governance is perceived as a normative principle of administrative law, which obliges any institution to perform its functions in a manner that promotes the values of efficiency, non-corruptibility, and responsiveness to civil society. The principle of good governance has also been espoused in the context of the internal operations of both the public and private sector organisations. In this way, corporate decision-making strategies integrate the principle of good governance and ensure that public interests and employees are taken into account.

RISK MANAGEMENT

Section 62 (i) of the MFMA required that the municipality have and maintain an effective, efficient and transparent system of risk management. The Municipality undertook to implement and comply with this section and this resulted in the development of the Risk Action Plan through a workshop which was held near the end of the financial year 2013/14 with the assistance of Internal Audit Activity. A risk register was compiled and approved by the Audit and Performance Management Committee.

To 5 Risks

- ✚ Inability to attract Investments.
- ✚ Inability to attract and retain skills personnel.
- ✚ High Number of indigent families.
- ✚ High Number of unemployed Youth.
- ✚ Inability to maintain municipal infrastructure
- ✚ Inability to secure own land

ANTI-CORRUPTION AND FRAUD

The Municipality is committed to a free corruption and fraud environment. The municipality has developed the Anti-fraud policy to guide the municipality on matters pertaining to fraud, the development of the policy document is an illustration that the Municipality does not tolerate fraudulent or corrupt activities whether internal or external to the Municipality. The Internal Audit Activity assisted in communicating the policy and workshops were conducted.

The Municipality believes that if we are honest and open in our everyday dealings and communications with other people, if we fulfil our commitment at all times and practice trust, tolerance and respect, only then can we achieve dignity and integrity. Every day of our lives we are faced with choices and easy options that are filled with promises of wealth. Make sure our heart and our head agree on the honest choice, however difficult it may be. Remember it is the nature of our environments, which is tempting. We need to take responsibility for our choices. It is becoming increasingly difficult to stay honest and open, especially in light of the ever-changing environment around us. Our only obligation

in life is to be true to ourselves and our commitments. In the long run we will achieve more in life than those who sold out their principles for the short-term gain.

We expect people to trust us, and therefore it is up to us to give them the reasons to trust us. Our reputation of today will be based on our actions of the past. Our actions today are the building blocks of our future reputation.

People at our Municipality hold dearly specific rich and positive values. Therefore, our employees' commitment to these values is the only single weapon against corruption and fraud.

SUPPLY CHAIN

The Municipality has established a Supply Chain Unit in line with the internal Supply Chain Management (SCM) Policy and Supply Chain Management Regulations. The division is headed by the Accountant who reports directly to the Chief Financial Officer.

The Municipality has a policy on SCM which has been implemented fully throughout the year. There were not indicators of abuse in the implementation of the SCM policy of the municipality during the year under review.

The calling for tenders to secure supplies of goods and services is an integral part of SCM, as legislation compels public institutions to procure goods and services through this process. A thorough knowledge of the different phases of the tendering process and the accompanying procedures is therefore necessary to ensure that public officials procure goods and services timely and according to their requirements.

In line with the Municipal Finance Management Act (MFMA), the Accounting Officer has approved the Bid Committees. The Municipality ensures that the tender process is fair, Transparent, equitable and cost effective.

INFORMATION COMMUNICATION TECHNOLOGY

Municipal Website

Municipal Website : Content and Currency of Material

Documents Published on the Municipal's/Entities Website

Current Annual and Adjusted Budgets and All Budget Related Documents Yes

All Current Budget Related Policies Yes

The Previous Annual Report (Year 1) Yes

The Current Performance Agreements required in terms of Section 57 (1) (B) of the MSA and resulting scorecards Yes

All Service Delivery Agreements

All Long Term- Borrowings N/A

All Supply Chain Management Contract Above a prescribed Value Yes

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) N/A

Contracts Agreed on to which subsection (1) of section 33 apply, subject to subsection (3) of that section

Public Private Partnership agreements referred to in section 120 N/A

All quarterly reports tabled in the council in terms of section 52 (d) Yes

CHAPTER 3: SERVICE DELIVERY



WATER PROVISION

The provision of water has been a key priority for government since the advent of democracy. Mkhambathini Municipality acknowledges that water challenges still persist in some areas, Ward 1, 2 and 3 approximately 29 264 people are affected by the water challenges around those areas. The most challenge the municipality faces is ageing and mal-functional infrastructure which is compounded by vandalism poses a serious problem and also the escalating of the population based on the water skim.

The Mkhambathini Municipality has seen it imperative to work collaborate with uMgungundlovu District Municipality, who at present is handling the services of water and sanitation for our municipality, in addressing the issue of water and sanitation in the municipality. It is in the plan of the Municipality to at least have the majority of households having water accessible inside their dwelling houses or inside the yard as much as possible. Crucial to achieving this will be the establishment of more dandified settlements in wards 1, 2 and 3 hence bridging the divide in the economies of scale.

Water Facilities

The table below indicates an improvement in the service delivery of water within the municipality.

Water Source

	Census 1996	Census 2001	Census 2011
In dwelling/yard	3560	5722	7910
On communal stand	725	1640	2015
Access to piped water	3621	5189	5039

WASTE WATER (SANITATION) PROVISION

Toilet Facilities

Toilet Facilities	Census 1996	Census 2001	Census 2011
Flush toilet (connected to sewerage system)	1260	3907	4820
Pit latrine with ventilation (VIP)	4820	4970	10170
Bucket latrine	77	101	88
None	92031	2572	1108

ELECTRICITY

There has been a substantial improvement in the percentages of households that use electricity for the following table depicts the results of the recently conducted 2011 Community Survey (See Table Below):

Table 10: Energy / Fuel for Lighting, heating and cooking

Energy / Fuel	Census 1996	Census 2001	Census 2011
Lighting	2578	5329	9758
Heating	1484	2553	6441
Cooking	1734	3021	7767

ROADS



The Municipality maintains its road infrastructure main gravel roads

WASTE MANAGEMENT



Refuse disposal is critical in creating an enabling environment for every resident of the municipality, more especially the younger generation as they are more exposed to hazardous conditions. The Municipality has improved the collection of refuse within its jurisdiction comparing the Census 1996, 2001 and the 2011 Community Survey. The municipality does not separate waste currently, however the municipality is part of the Advanced Solid Waste Management Programme which is implemented by uMgungundlovu District Municipality and funded by KFW and the Department of Environmental Affairs nationally. The aim of this programme is to provide technical support to local municipalities in

order to reduce waste disposed of at the landfill sites, with the aim of maximising job creation within the municipalities. The municipalities currently exploring strategies of sorting and separating waste for recycling purposes.

Currently the municipality disposeskg/tons to the New England road landfill site.



Waste Management	Census 1996	Census 2001	Census 2011
Removed by Local Authority /Private Company	325	671	1057
Communal /Own Refuse Dump	6926	9700	12189
No Rubbish disposal	818	2179	1541



The following Project were funded through MIG and its progress is reported hereunder.

PROJECT NAME	AREA	BUDGET	STATUS
Upgrade of Mahleka Sports Field	Ward 4		Completed
Mpekula Hall	Ward 7		Completed
Nkanyezini Taxi Rank	Ward 3		Completed
Thokozani Creche	Ward 1		Completed
Qhungeshe Gravel Road	Ward 5		Completed
Kalubhaqwa Gravel Road	Ward 6		98% Complete
Maqonqo Sports Field	Ward 1		95% Complete
Nkanyezini Gravel Road	Ward 2		Completed

LOW COST SUBSIDISED RURAL HOUSING



Name of the Project		Area	Total Cost
Maqonqo Housing Project		Ward 1	
Mbambangalo Project	Housing	Ward 1,2,3	R500 000 000.00
KwaMahleka Project	Housing	Ward 5	
Njobokazi Housing Project		Ward 4	
Sukuma Sakhe Project		Ward 7	

CHALLENGES

- ✚ Housing project blocked because of land issues;
- ✚ Small Basic Infrastructure Grant take long to complete the project
- ✚ Sector Department not getting enough grant funding i.e. ESKOM not able to upgrade substations;
- ✚ Non availability of land for fire station as the land is privately owned;
- ✚ Lack of Funding to acquire SANRAL land for Civic center at Ward for CoGTA intervention required;
- ✚ Vehicle and Driver's testing center funding for ward 4 (R15m);
- ✚ Lion Park housing development needs Department of Land Reform to Assist with regularisation;
- ✚ Lack of Funds to have access roads-urban and rural areas in all wards.

PLANNING AND DEVELOPMENT



The Municipality has entered into a shared service in terms of Planning and Development uMngeni Municipality is a leading partner in this regard. However the municipality is planning to capacitate this section to assist with all administrative related issues.

LOCAL ECONOMIC DEVELOPMENT

As a municipality and as a sphere of government closest to the people, we exist to implement our mandate of being developmental. One of the characteristics of a developmental local government is a local government that Maximises social development and economic growth.

Everything that the municipality does should be done to impact as much as possible on the social and economic development of our municipality. Although it is not the role of local government to create jobs but it takes steps to create an enabling environment for improving LED potential and the conditions in our municipality in order to have sustainable businesses and for the creation of employment opportunities.

Local Economic Development (LED) offers local government, the private sector, the not-for-profit sector and the local community the opportunity to work together to improve the local economy. It aims to enhance competitiveness and thus encourage sustainable growth that is inclusive. The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Mkhambathini Municipality has a few of LED projects in function, challenge targeting the market, the Municipality has partnered with SEDA for assistance in this instance. Co-operative and LED projects are been implemented at ward level.

As Mkhambathini Municipality we pursue LED strategies for the benefit of our jurisdiction, and individual communities and areas within our jurisdiction in order to improve their economic competitiveness. Such approaches are most successful if pursued in partnership with local government strategies. Local communities respond to their LED needs in many ways, and a variety of approaches that Mkhambathini Municipality under takes that include:

- ✚ Ensuring that the local investment climate is functional for local businesses;
- ✚ Supporting small and medium sized enterprises;
- ✚ Encouraging the formation of new enterprises;
- ✚ Attracting external investment (nationally and internationally);
- ✚ Investing in physical (hard) infrastructure;
- ✚ Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- ✚ Supporting the growth of particular clusters of businesses;
- ✚ Targeting particular parts of the city for regeneration or growth (areas based initiatives);
- ✚ Supporting informal and newly emerging businesses;
- ✚ Targeting certain disadvantaged groups.
- ✚

Mkhambathini participates in the following District LED coordinating structures:

- ✚ uMgungundlovu District Informal Economy Chamber

✚ uMgungundlovu District Development Agency Steering Committee

Despite capacity constraints challenges in the LED/Tourism component, the municipality was able to develop the Informal Economy policy which was adopted in December 2014. The main aim of the policy is to regulate the Informal economy sector, in order to ensure that the informal traders are taken seriously as business people who also contribute to the economy and to also ensure that they are included in the municipal budget. This therefore means that the Informal Economy must be included in the municipal IDP as per COGTA mandate or requirement.

A database of informal traders was also developed and forwarded to the Department of Economic Development and Environmental Affairs for consolidation into the provincial informal economy web-based database. The informal economy by-law will be developed during 2015/16.

TOURISM



Local tourism” is defined as a function of municipalities within the Constitution. Municipalities have a responsibility to exercise the developmental mandate across all functions delivered at local level including the development and marketing of the tourism sector.

The tourism sector is starting to play a pivotal role in the provision of employment and economic growth. There have been a number of agric-tourism related applications submitted to the municipality and have been encouraging for the future economic growth of the municipality within the agricultural sector. The Spatial Development Framework has in this regard taken consideration of the tourism potential within the municipality and identified nodes that will promote the sector.

The municipality has a number of cultural, historical and natural assets, which have begun to form the basis of an emergent tourism industry. The main features of the existing tourism sector are:

Eco-tourism: Private Game ranches offering up-market accommodation and wildlife trails for Local and International visitors (including Tala Game Reserve, Ntsingisi Game Lodge and Spa and Gwa Humbe Game Reserve) and wildlife sanctuaries (African Bird of Prey Centre, the Lion Park and Natal Zoological Gardens).

Agro-tourism: The Country Capers Tourism Route comprises several auto routes that meander through the municipality, linking it to adjacent areas (Thornville, Baynesfield, Richmond, Ashburton, Byre Valley and Inchanga) and other tourism routes (Albert falls Amble and 1000 Hills Tourism) offering farm style, self-catering, bed and breakfast and guest lodge accommodation, scenic views and peaceful retreats.

Adventure Tourism: The area is host to a number of adventure and sporting activities including off-road motorcycle and car races, canoeing events on Nagle Dam, mountain bike races (cycling), microlighting, skydiving, waterskiing and hiking trails. Not to mention the Comrades Marathon and aMashovashova cycle race which also pass through the area. All of which bring National and International visitors to the area.

Tourism attractions are generally located close to the main roads traversing the municipality. Ownership of the tourism industry tends to be highly concentrated with little involvement by rural communities. Participants at community workshops called for the exploitation of undeveloped tourism potential in the municipality, their involvement in tourism development and related income-generating opportunities, as well as the need for education about the benefits and obligations of tourism.

Over 60% of the total land area of the municipality is covered by natural forest, shrub and bush-land and much is in good condition, and this represents a significant opportunity for the further development of eco-tourism in the municipality. In response to the natural assets and the absence of a large-scale game reserve in the area, the development of the Mkhambathini Game Reserve has been proposed for the area to the north of the N3 between Cato Ridge and Pietermaritzburg, and it will form the primary attraction along the envisaged Tourism Corridor between Durban and Pietermaritzburg.

The draft KwaZulu-Natal Tourism Development Strategy has given its support to the Mkhambathini Game Reserve, This attraction in the municipality will form part of the broader Durban-Pietermaritzburg Tourism Corridor, and be directly linked to the primary tourism node of the Valley of a Thousand Hills. Given that the R603 is already an important route to and from the South Coast, additional tourism developments along this route should be established to attract holidaymakers who pass through the area.

Mkhambathini Municipality has developed a draft Tourism Strategy. Part of the plan is to develop a tourism broucher as a means to promote Mkhambathini Municipality's as a unique differentiated brand and one of the preferred travel destinations in KwaZulu Natal. Mkhambathini Local Tourism

Forum and Community Tourism Organisation will be formed during 2015/16. The roles and responsibilities of these Tourism structures will be to:

- ✚ Strengthen Mkhambathini tourism potential
- ✚ Support and coordinate the branding of the municipality
- ✚ Assist in TKZN in national campaigns by providing marketable products, events and attractions for these campaigns
- ✚ Assist TKZN in international marketing providing product information
- ✚ Promote tourism awareness in localised areas
- ✚ Provide tourism infrastructure in localised area
- ✚ Facilitate private sector involvement in the marketing and development effort
- ✚ Facilitate local product development
- ✚ Provide tourism information and publicity.

Mkhambathini Municipality has unique destinations which combine the best of nature and agriculture environments. The diversity of facilities provides entertaining activities for the entire family. Key areas are as follows:

- ✚ Tala Valley
- ✚ Lion Park and Zoo
- ✚ African Bird of Prey Sanctuary
- ✚ Nagle Dam
- ✚ Table Mountain (natural area)
- ✚ Rosie Antique barn
- ✚ Hot air Balloon in Tala Valley
- ✚ Guahumbe Game Reserve
- ✚ Emoyeni Micro lighting
- ✚ Wingfield Nature Reserve

There are private game ranches offering up market and wildlife trails (Tala, Gwahumbe Game Reserve and Spa, iNsingizi Lodge). Agro- Tourism: Sakabula circuit motor routes to country attractions such as fresh produce, clothing, farm stalls, Valley of a Thousand Hills and accommodation.

- ✚ John Vander Plank Gravesite
- ✚ Anglican Church of Resurrection
- ✚ Methodist Church

SPORT AND RECREATION



Figure 1 SPORT KITS

The aim of Sports and Recreation is to improve social cohesion and to promote healthy lifestyles of communities.

As a municipality we continue to participate in the Provincial Senior Citizens Golden games coordinated by the Department of Sport and Recreation. The municipality also facilitates and coordinates the participation of its athletes in the SALGA games, under the various sporting codes, through uMgungundlovu District.

Under 19 of the following Sport codes participated in the District games 2014/15 are as follows:

- ✚ 46 Soccer(Male and females);
- ✚ 28 Netball(Males and Females);
- ✚ 11 Rugby;
- ✚ 14 Basketball;
- ✚ 30 Indigenous games;
- ✚ 30 Athletics;
- ✚ 7 Volleyball

The below picture indicates the availability of recreational facilities, although some Wards are still without facilities. Most of the available facilities require significant upgrading and revamping in order to meet the basic requirement of sporting facilities.



Figure 2 INDIGENEOUS GAMES

DISASTER MANAGEMENT

In line with the Disaster Management Act 57 OF 2002, Mkhambathini Municipality established and launched its Disaster Management Advisory Forum on 02 September 2014. This is an advisory body in which a municipality and relevant disaster management role players - government, business, academia, labour and civil society consult one another, assist people to better understand their roles in reducing the impact of disasters; assist in the planning, development and coordination of actions to address all aspects of disasters risk reduction. Since establishment, this forum sits on quarterly basis.

Section 15 and 20 of the Disaster Management Act encourages the promotion of education and training as well as the promotion of research into all aspect of Disaster Risk Management. On 10 February 2015 a Reptile awareness campaign for Mkhambathini communities was held. Mkhambathini in partnership with CoGTA PDMC and uMgungundlovu District held a Disaster Management workshop on 19 June 2015. In order to effectively and efficiently respond to disasters in the communities, the municipality procured a 4X4 bakkie.

During 2015/16 the municipality will embark on Ward base risk assessment in order to develop a risk profile for the municipality. A Disaster Management Plan will be developed thereafter.

Below table indicates the incidents for 2014/15 and amount spent:

MONTH	INCIDENT	WARD	PEOPLE AFFECTED	AMOUNT
June – Aug 2014	House fire	4	15	R 5000.00
Sep –Nov 2014	House Fire	4	13	R 3657.00
Dec 2014 – Feb 2015	House Fire	4	5	
	Strong Winds	1	6	R 4782.00
March –June 2015	House Fire	1	6	
	Strong winds	6	13	R 2900.00

HIV/AIDS

Through various initiatives and structures led by the Community Services Department in the municipality, the fight against HIV/Aids remain a priority. Mkhambathini works very closely with the Department of Health, uMgungundlovu District, the Office of the Premier, Civil society and other stakeholders in coordinating the activities relating to HIV/Aids through structures such as the Local Aids Council (LAC) and Ward Aids Council (WAC). The Mayor of Mkhambathini is also a political champion of Operation Sukuma Sakhe local task team of the municipality. These structures exist in order to fight discrimination against people living with HIV, provide support and create an enabling environment for them to not lose hope and to continue being a productive society in the communities they live in. A number of trainings and workshops were held during the year under review for Traditional healers and members of WAC.

On 28 November 2014, Mkhambathini held a campaign on 16 Days of Activism and also launched a Men's Sector under the 2014 theme "From Peace in the home to Peace in the World". Mkhambathini Municipality hosted the commemoration of the World Aids day for uMgungundlovu District under the theme "Zero Stigma, Zero discrimination". The aim of this campaign is to ensure the right of people living with HIV/Aids are not violated, and that discrimination on the basis of HIV, Aids and TB is not only reduced but ultimately eliminated.

ARTS AND CULTURE



The Provincial department of Arts and Culture hosts an annual Reed dance event at Nyokeni in Nongoma. This event is attended by more than 40 000 maidens. The aim of the event is to instil cultural behaviour and moral regeneration to young and old females. Mkhambathini municipality participated

in the event and 300 maidens were part of the event. The total expenditure for this programme was R90 000 for the year 2014/15



The municipality also coordinates the Arts and Culture Music and Traditional Dance competition annually. The 2014 competitions were held on 6 and 7 December 2014 under the following categories:

- ✚ Poetry
- ✚ Kwaito and HipHop
- ✚ Isicathamiya
- ✚ Gospel
- ✚ Maskandi
- ✚ Traditional Dance



Total expenditure for arts and culture competition 2014 was R153298.00

YOUTH, GENDER, CHILDREN AND DISABILITY

The following activities took place for the above programmes:

- ✚ The Municipality in partnership with SALGA donated the following to Letty Mkhize ECD centre:
 - Gas and Gas Stove;
 - 8 tables and 25 chairs;
 - A cattle and 3 large pots;
 - 40 Sponges and 40 blankets;
 - Educational material
 - Jojo Water tank
 - Cleaning Equipment
- ✚ The municipality also procured crèche material for Ward 1 and 3 ECD centres
- ✚ Youth Council workshop in leadership- August 2014
- ✚ Senior citizens event -10 December 2014
- ✚ Senior Citizens Golden games - July 2014
- ✚ Establishment of Disability forum – July 2014
- ✚ 16 Youth employed under the youth job in waste programme
- ✚ 94 youth temporarily employed under the EPWP programme
- ✚ Career Exhibition in partnership with Department of Education - Feb 2015
- ✚ Youth day in partnership with UDMD and Msunduzi Museum - 15 June 2015

EPWP PROGRAMME



The Expanded Public Works Programme (EPWP) is one element within a broader government strategy to reduce poverty through the alleviation and reduction of unemployment. The Expanded Public Works Programme involves creating work opportunities for unemployed persons, and so allowing them to

participate economically and contribute to the development of their communities and the country as a whole.

EPWP aims to significantly expand the creation of temporary work opportunities that provide income to the poor and unemployed; and increase the duration of work opportunities for maximum impact.

Mkhambathini municipality had received the R1 13200.00 grant from the National Department of Public Works for the facilitation, coordination and implementation of this programme. The programme has two projects namely: Town Beautification focusing at (Maqongqo and Camperdown). This project has a grant funding of R 422 000. It commenced in August 2014 with 31 beneficiaries (working 10 days a month). This project produced a clean and tidy CBD and landscaped park areas. Clean drains and pipe culverts.

Izandla Zethu which is in Ward 2, 3, 5, 6 and 7, it focuses on the Development and Maintenance of Roads and Buildings. (Grant funding R500 000). The project commenced in August 2014 with 50 beneficiaries (working 10 days a month). This project attended to road maintenance and the rehabilitation of Municipal Buildings.

Under the EPWP programme the municipality employed a total number of 81 beneficiaries 64 youth, 17 adult.

There is another project called My job My future which is an internship project. It commenced in December 2014 and the targeted project participants were the unemployed graduates. Its ultimate goal is giving them work exposure and experience. 10 participants were part of the project and they were all contracted until May 2015. The budget was R210 000.00 from the Integrated grant 2014/15.

ACHIEVEMENTS: Phase 3 targets for 2014/15 financial year for WOs (104) were exceeded (219) and 77 FTEs were achieved by the Mkhambathini Local Municipality against the target of 34 FTEs.

A total of 17806 work days was achieved during the 4 quarters. Project durations varied between 6 and 12 months.

CHAPTER 4: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

The MSA 200 S67 requires the municipalities to develop and adopt appropriate systems and procedures to ensure efficient, effective and transparent personnel administration in accordance with the Employment Equity Act 1998.

The Municipality is in the process of re-engineering the organizational performance management system. The municipality is striving to introduce the individual performance management the consultation with Organised Labour will commence in the 2014/2015 financial year. This will be to ensure high level of performance by each employee which will assist the Municipality to achieve its desired level of performance and service delivery.

The following information is a representation of staff per functions

Department	Number of Position Per Approved Organogram	Number of Vacant Position As at 30 June 2015
Municipal Managers Office		
Financial Services		
Technical Services		
Community Services		
Corporate Services		



Areas Owed to the Municipality by Staff, Councillors and Directors

Category	Amount Owed as at End of June 2014	Corrective Measures
Staff	R0	N/A
Directors	R0	N/A
Councillors	R0	N/A

CHAPTER 5: AUDITED STATEMENTS AND RELATED INFORMATION

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON MKHAMBATHINI MUNICIPALITY

Introduction

1. I have audited the financial statements of the Mkhambathini Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cashflow 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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 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 Mkhambathini 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 matter

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

Material impairments

8. As disclosed in note 8 to the financial statements, material impairment to the amount of R4,89 million (2014: R2,63 million) were provided on debtors as the recoverability of these amounts were doubtful.

Additional matter

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

Unaudited supplementary schedules

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

Report on other legal and regulatory requirements

11. 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

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure, local economic development and social development services objectives presented in the annual performance report of the municipality for the year ended 30 June 2015.
13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. 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 (FMPP)*.
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. The material findings in respect of the selected objective is as follows :

Basic service delivery and infrastructure Usefulness of reported performance information
Consistency of objectives, indicators and targets

Reported objectives not consistent with planned objectives

17. Section 41(c) of the Municipal Systems Act. no.32 of 2000 (MSA) requires the integrated development plan to form the basis of the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 96% of the reported objectives were not consistent with those in the approved integrated development plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent.

Reported indicators not consistent with planned indicators

18. Section 41(c) of the MSA requires the integrated development plan to form the basis of the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 31% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent.

Reported target not consistent with planned targets

19. Section 41(c) of the MSA requires the integrated development plan to form the basis of the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 72% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent.



Local Economic Development

Reliability of reported performance information

20. The FMPPI requires municipalities to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 41% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures. This was due to the absence of a proper record keeping system.

Social development services

Reliability of reported performance information.

21. The FMPPI requires municipalities to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 63% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures. This was due to the absence of a proper record keeping system.

Additional Matters

22. I draw attention to the following matters:

Achievement of Planned Targets

23. Refer to the annual performance report on pages xx to xx for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives reported in paragraphs xx to xx of this report

Unaudited supplementary schedules

24. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Annual financial statements, performance and annual report

26. The accounting officer submitted financial statements for auditing that were not prepared in all material respects in accordance with generally recognised accounting practice and supported by full and proper records as required by section 122 of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

27. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by supply chain management regulation 13(c).

Expenditure management

28. Reasonable steps were not taken to prevent irregular and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.

Asset management

29. An adequate management, accounting and information system that accounts for assets was not in place, as required by section 63(2) (a) of the MFMA.

Internal control

30. 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 the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

31. The accounting officer did not exercise adequate oversight over financial and performance reporting and compliance with legislation. The vacancy in the position of accounting officer resulted in the chief financial officer acting as the accounting officer. The chief financial officer therefore did not have sufficient time to oversee the finance section, which has had a negative impact on the oversight and monitoring functions of management. This further affected the credibility of the information and reports provided to leadership for oversight and decision-making.

Financial and performance management

32. There was inadequate supervision and monitoring of the financial management functions of the entity, resulting in the system of financial and internal controls not preventing, detecting and correcting material non-compliance and material findings in the annual performance report.
-

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Governance

33. There was inadequate review of predetermined objectives, financial reporting and compliance with applicable legislation by internal audit and audit committee during the year which resulting in the internal controls not preventing, detecting and correcting material non-compliance and material findings in predetermined objectives.

Auditor-General
Pietermaritzburg

28 November 2015



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

AUDITED FINANCIAL STATEMENTS

Mkhambathini Municipality Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of services to the community
Executive committee	
Mayor Cllr. T.E. Maphumulo (Mayor)	
Cllr. C.T. Mkhize (Deputy Mayor)	
Cllr. E Ngcongo(Speaker Councillors	
Cllr. T.A. Gwala	
Cllr.K.R..Mofokeng	
Cllr. T.Z. Maphumulo	
Cllr. M.R.Ntuli	
Cllr.F.P.Msomi	
Cllr. M.M. Lembethe	
Cllr. N. Zondo	
Cllr.R.N. Lembethe	
Cllr.M.A.Ngcongo	
Cllr. M.M.M. Magubane	
Cllr. H.S. Mthethwa	
Grading of local authority	Grade 2
Accounting officer	Mrs TC Ndlela 031 785 9306 Mr. M. Chandulal 031 785 9320 www.mkhambathini.gov.za
Business address	18 Old Main Road Camperdown 3720
Postal address	Private Bag X04 Camperdown 3720
Contact number	031 785 9300
Auditors	Auditor-General
Name of Account Holder	Mkhambathini Municipality
Bank	Standard Bank
Account Number	052 1499 78

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

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

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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
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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

MIG

Municipal Infrastructure Grant (Previously CMIP)



Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The Accounting Officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The Accounting Officer have reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 48 which have been prepared on the going concern basis, were approved by the Acting Accounting Officer on 31 August, 2015 and were signed on its behalf of the municipality:

Accounting Officer
Mrs TC Ndlela

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officers' Report

The Accounting Officer submit their report for the year ended 30 June 2015.

1. Subsequent events

The Accounting Officer are not aware of any significant matter or circumstance arising since the end of the financial year, apart from any disclosures made on the financial statements.

2. Accounting officer

The Accounting Officer of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr. Mahendra Chandulal	South African	Acted from 01 March 2015 to 14 2015
Mr D.A. Pillay	South African	Resigned 28 February 2015
Mrs. T.C Ndlela	South African	Appointed 15 October 2015

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Not e(s)	2015	2014 Restat ed
Assets			
Current Assets			
Operating lease asset	33	61 366	44 670
Receivables from exchange transactions	6	1 306 234	467 265
Receivables from non-exchange transactions	34	11 673	11 673
VAT receivable	7	2 043 251	931 385
Consumer debtors	8	7 311 992	3 455
Cash and cash equivalents	9	14 613	5 571
		25 348	10 481
Non-Current Assets			
Investment property	3	5 251 600	1 431
Property, plant and equipment	4	94 487	79 604
Intangible assets	5	48 088	72 132
		99 787	81 107
Total Assets		125 135	91 589
Liabilities			
Current Liabilities			
Operating lease liability	33	13 671	11 064
Payables from exchange transactions	13	7 406 762	3 431
Unspent conditional grants and receipts	11	4 055 246	3 619
Provisions	12	1 682 566	1 625
		13 158	8 687
Non-Current Liabilities			
Provisions	12	2 200 000	1 865
Total Liabilities		15 358	10 552
Net Assets		109 777	81 036
Net Assets			
Revaluation reserve	10	12 825	13 672
Accumulated surplus		96 951	67 364
Total Net Assets		109 777	81 036

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restat *
Revenue			
Commissions received - Insurance Premiums	16	12 173	10 875
Other income	16	397 478	345 367
Interest received		2 011 020	879 438
Property rates	14	11 588	7 038
Government grants & subsidies	15	65 339	48 931
Donation income		-	49 794
Fines, Penalties and Forfeits		31 550	34 340
Licenses and permits		3 946 205	3 542
Total revenue		83 326	60 832
Expenditure			
Employee Related Cost	18		
Remuneration of councillors	19	(4 492)	(4 122)
Contributions to Medical Aid and Long Service Awards	36	(377 493)	(554)
Depreciation and amortisation		(4 626)	(4 039)
Impairment loss/ Reversal of impairments		(2 145)	-
Debt Impairment	37	(2 258)	(1 765)
Collection costs		(15 886)	(34 414)
Repairs and maintenance		(976 466)	(583)
Grants and subsidies Expenditure	38	(7 734)	(8 808)
General Expenses	17	(14 107)	(12 625)
Total expenditure		(58 145)	(52 920)
Surplus for the year		25 180	7 912

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Revalu ation	Accum ulated	Total net
Balance at 01 July 2013	14 329	58 949	73 279
Correction of error	-	582 335	582 335
Net income (losses) recognised directly in net assets	-	582 335	582 335
Surplus for the year	-	7 912 016	7 912
Other Adjustment	-	(736 618)	(736
Transfer of depreciation on the revalued asset	(657 353)	657 353	-
Total changes	(657 353)	8 415 086	7 757
Restated* Balance at 01 July 2014	13 672	67 364	81 036
Changes in net assets	554	306	860
Net increase in investment properties and property, plant and equipment	-	3 559 718	3 559
Net income (losses) recognised directly in net assets	-	25 180	25 180
Surplus for the year	-	816	816
Total recognised income and expenses for the year	-	28 740	28 740
Transfer of depreciation on the revalued asset	(846 736)	846 736	-
Total changes	(846 736)	29 587	28 740
Balance at 30 June 2015	12 825	96 951	109 777

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restat *
Cash flows from operating activities			
Receipts			
Taxation		10 566	11 147
Sale of goods and services		(397 768)	479 494
Grants		65 775	42 605
Interest Received		1 972 415	879 438
		<u>77 916</u>	<u>55 111</u>
Payments			
Employee costs		(21 411)	(20 388)
Cash paid to suppliers		(26 470)	(28 347)
		<u>(47 881)</u>	<u>(48 735)</u>
Net cash flows from operating activities	23	<u>30 034</u>	<u>6 376</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(20 996)	(19 068)
Proceeds from sale of property, plant and equipment	4	4 500	-
Net cash flows from investing activities		<u>(20 992)</u>	<u>(19 068)</u>
Net increase/(decrease) in cash and cash equivalents		9 042 399	(12 692)
Cash and cash equivalents at the beginning of the year		5 571 191	18 263
Cash and cash equivalents at the end of the year	9	<u>14 613</u>	<u>5 571</u>

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Budget on Accrual Basis		Approved budget	Adjustments Actual amounts on comparable basis	Final	Budget	Difference between final budget and actual	Reference
Figures in Rand							
Statement of Financial Performance Revenue transactions							
Commissions received	-	4 000	4 000	12 172	8 173	(h)	
Other income	240	(92 355)	147 736	397 478	249 742	(c)	
Interest Received - Investment	832	-	832 374	905 809	73 435	(d)	
Interest received - Debtors	156	1 043	1 200	1 105	(94 790)	(d)	
Total revenue from exchange transactions	1 229 197	954 913	2 184 110	2 420 670	236 560		
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	16 406	(5 598)	10 807	11 588	781 092	(e)	
Transfer revenue							
Government grants & Fines, Penalties and Licenses and permits	48 971	1 771	50 742	65 339	14 597	(f)	
	89 803	-	89 803	31 550	(58 253)		
	3 322 000	1 031	4 353	3 946	(407 621)	(a)	
Total revenue from non-exchange transactions	68 788	(2 795)	65 992	80 905	14 912		
Total revenue	70 018	(1 841)	68 177	83 326	15 149		
Expenditure							
Employee related cost of Remuneration	(4 751)	-	(4 751)	(4 492)	557 677	(h)	
Contribution to Medical Aid and Long Service	-	(300 000)	(300 000)	(377 493)	(77 493)	(i)	
Impairment loss/ Reversal of impairments	-	-	-	(2 145 300)	(85 066)	(j)	
Collection costs	(42 360)	-	(42 360)	(15 886)	26 474	(m)	
Repairs and maintenance	(3 250)	1 030	(2 220)	(976)	1 243 534	(n)	
Transfers recognised	(9 547)	-	(9 547)	(7 734)	1 812 668		
General Expenses	(8 842)	(12 139)	(20 981)	(14 107)	6 873 545	(p)	
Total expenditure	(50 944)	(14 209)	(65 153)	(58 145)	7 007 497		
Operating surplus before capital expenditure	19 074	(16 050)	3 023	25 180	22 157		
Surplus or (Deficit) for the year after capital expenditure	39 794	(18 709)	21 084	46 856	25 771	(a)	
	000	200)	800	683	883		

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Surplus or (Deficit) for the year after capital	39 794	(18 709 200)	21 084 800	46 856 683	25 771 883
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Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments Actual amounts on comparable basis	Final	Budget	Difference between final budget and actual	Reference

Explanations

- a) **Licence and Permits** -Variable depending on the number of license applications.
- b) **Commission Received** - Variable depending on the number of staff whose payment are made across to third parties.
- c) **Other income** -mainly due to leases and building plan increases.
- d) **Interest Received** - Interest rates increases and interest received on debtors is variable.
- e) **Property rates** - the amounts actually billed was greater than budget could be due to various reasons such as implementation of new and supplementary valuation roll.
- f) **Government Grants and subsidies** - The roll over have been included in the budgeted amount.
- g) **Employee Related Costs** - Vacancies existed within the municipality.
- h) **Remuneration of Councillors** - Over-budget ,the budget for Councillors was at the maximum level.
- i) **Contribution to medical Aid and Long Service Awards** - this was over budgeted for and is variable and pendant on the actuarial valuation.
- j) **Depreciation** - Increase due to additions to property, plant and equipment. Impairment - Impairment of assets through the period 2014/15.
- k) **Budget variances** - The movements within the Adjustment Budget was to cater mainly for movements within expenditure (non-cash items, repairs and general expenditure) and income received.
- l) **Debt Impairment** -Increase due to the increase in consumer debtors.
- m) **Collection costs** - Variable from year to year.
- n) **Repairs and Maintenance** - Only crucial repairs and maintenance was performed.
- o) **Grants and Subsidy Expenditure** - FMG and Electrification grant was not fully spent, and the roll-over has been applied for.
- p) **General Expenditure** - Underspending was due to cost cutting measures.
- q) **Capital Expenditure** - Spending was due to multi - year projects.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

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

1.2 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 for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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. The subsequent measurement of investment properties is carried at cost (Cost model).

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

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses (Cost model).

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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.

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1.3 Property, plant and equipment (continued)

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and accumulated impairment losses..

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

Item	Average useful life
Buildings, Animal Pound and Parkhome	30
Plant and equipment	
• Brushcutters and Lawn mowers	3-15
• Tractors	10-25
• Guardrails and Boreholes	15
• Other	3-15
Furniture and fixtures	
• Chairs and Sofas	5-20
• Bookshelves and Cabinet	7-20
• Desks and Tables	7-20
Motor vehicles	
• Motor Vehicles	7-20
Office equipment	
• Printers	3-9
• Cameras	3-9
• Video Cameras	3-9
• Airconditioners	3-9
• Other	3-9
IT equipment	
• Laptop	3-8
• Desktop	3-8
• Central Processing Unit	3-8
• Monitors	3-8
Infrastructure	
• Roads and Paving	10-30
• Stormwater	20-25
Community	
• Building (Halls, Change rooms, Taxi rank building and Toilets)	30
• Grand Stand and Paved Area	20-30
• Sport Fields, Combination Court, Fences, Water Tanks	10-18
• Shelters	10-15
Other	
• Tools and equipment	3-9
• Plant and equipment	2-25
• Office equipment	3-9
Security Measures	
• Walls	30
• Gates and Fencing	10

The residual value, the useful life and depreciation method of each asset are reviewed at least 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.

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1.3 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.

CAPITAL WORK IN PROGRESS

Capital work in progress (WIP) represent the cost of construction work on assets which are not yet completed as at the end of the financial year

WIP costs are accounted for on an accrual basis at costs or fair value given in acquiring or constructing the asset. Under the accrual basis of accounting, costs are recognised when incurred, usually when goods or services are consumed and not necessarily when such goods or services are actually paid for.

Costs is the amount of cash or cash equivalent paid, including imports duties and non-refundable purchases taxes ,after deducting trade discounts and rebates.

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 transactions.

The cost or fair value of an item of WIP is recognised as an assets if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to the entity ;and
- (b) The cost of the item can be measured reliably.

WIP assets are not depreciated until they are ready for their intended use.

Upon completion, WIP assets are reclassified to the appropriate asset class and at this stage depreciating commences.

The following is disclosed in the financial statement in respect of WIP

- (a) The amount of expenditure recognized in the carrying amount in the course of construction; and
- (b) The amount of contractual commitment.

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1.4 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.

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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis as follows:

Item	Useful life
Computer software, other	3-5 years

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1.5 Financial instruments

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.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value. Trade and other receivables are classified as receivables.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

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. Liabilities are generally settled within the period of 30 days, accordingly, any impairments, if any, are considered to be immaterial.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

1.6 Tax

Normal tax expense

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10 (1) (A) or the Income Tax Act.

Value Added Tax (VAT):

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The municipality accounts for VAT on the cash/payments basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value-added tax on the payments basis for debtors and creditors.

1.7 Leases

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

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1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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.

Value in use

Accounting Policies

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.

1.8 Impairment of cash-generating assets (continued) Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

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

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

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

Accounting Policies

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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1.10 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contribution to the Natal Joint Provident Fund (NJF) and are made as follows.

Current :

Provident 1 - 30 Members - 5 % Council - 9 %

Provident 2 -7 Members - 7% Council - 18.04%

Provident 3-2 Members - 9.25 % Council 18.04 %

Retirement-2 Members - 7% Council - 13.65%

Superannuation 32 Members -9.25% Council - 25 %

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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potential will be required, to settle the obligation.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue Recognition

Revenue is recognised at cost, and no interest is recognised as a result of any time value of money adjustments.

Measurement

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

Revenue from Exchange Transaction

Interest is recognised on a time proportion basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariffs by Council. This includes the Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transaction

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

1.13 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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1.14 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 property, plant and equipment 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 property, plant and equipment.

1.15 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 property, plant and equipment 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 property, plant and equipment.

1.16 Irregular expenditure

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

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1.17 Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.18 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.

1.19 Presentation of budget information

Municipality 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

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.

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Notes to the Annual Financial Statements

1.20 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.

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Figures in Rand

2015

2014

2. New standards and interpretations

2.1 Standards and interpretations issued but not yet effective 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:

Standard/ Interpretation: Years beginning on or after	Effective date:	Expected impact:
• GRAP 20 : Related Party disclosures		Immediate
• GRAP 32 : Service concession arrangements grantor		Immediate
• GRAP 108 : Statutory Receivables		Immediate
• GRAP 109: Accounting by Principals and Agents		Immediate
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset		Immediate

2.2 Standards and Interpretations effective and adopted in the current year

Standard/ Interpretation: Years beginning on or after	Effective date:	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	Immediate
• GRAP 1: Presentation of Financial Statements	01 April 2014	Immediate
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Immediate
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Immediate
• GRAP 107: Mergers	01 April 2015	
• GRAP 2 : Cash Flow Statement	01 April 2014	Immediate
• GRAP 3: Accounting Policies, Change in Accounting Estimates and Errors	01 April 2014	Immediate
• GRAP 9 : Revenue from Exchange Transactions	01 April 2014	Immediate
• GRAP 13: Leases	01 April 2015	Immediate
• GRAP 16 : Investment Properties	01 April 2015	Immediate
• GRAP 17 : Property, Plant and Equipment	01 April 2015	Immediate
• GRAP 21 : Impairment of non - cash generated asset	01 April 2015	Immediate
• GRAP 23 : Revenue from non - exchange transaction	01 April 2015	Immediate
• GRAP 31 : Intangible assets	01 April 2015	Immediate
• GRAP 25 : Employee Benefits	01 April 2015	Immediate

3. Investment property

2015

2014

Cost / Valuation

Accumula

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accumulat

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Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

impairment	Carrying value		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	R 5 251 600 R	- R 5 251 600 R	1 431 000 R
			- R 1 431 000

Reconciliation of investment property - 2015

Opening balance		Other changes, movements	Total
Investment property		1 431 000	3 820 600
			5 251 600

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

3. Investment property (continued)

Reconciliation of investment property - 2014

Opening balance		Total
Investment property	1 431 000	1 431 000

Investment Property reported	As previously reported	Correction of error	Total
Investment property	1 158 000	273 000	1 431 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Investment properties (land) are held for capital appreciation.

Restrictions on the ability to realise investment property or the remittance of revenue and proceeds of disposals. The correction of error for investment properties was due to the duplication of an asset reflected in the fixed asset register.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

4. Property, plant and equipment

2015				2014		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Buildings	12 228 780	(2 290 165)	9 938 615	9 415 368	(1 925 990)	7 489
Capital Work in Progress	22 202 679	-	22 202 679	12 976 188	-	12 976
Other Assets - Movables	6 490 443	(3 248 548)	3 241 895	5 675 430	(2 466 556)	3 208
Roads and Paving	35 555 239	(7 184 791)	28 370 448	34 842 990	(5 438 594)	29 404
Community Assets	39 916 408	(9 182 200)	30 734 208	31 859 786	(5 334 567)	26 525
Total	116 393 549	(21 905)	94 487 845	94 769 762	(15 165)	79 604

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other movements	Depreciatio -	Impairment loss	Total
Buildings	7 489 378	201 049	-	(247 000)	2 859 363	(364 175)	-	9 938
Capital Work in Progress	12 976 188	17 121 916	-	-	(7 895 425)	-	-	22 202
Other Assets - Movables	3 208 874	823 072	(8 059)	-	-	(590 146)	(191 846)	3 241
Roads and Paving	29 404 396	712 249	-	-	-	(1 746 197)	-	28 370
Community Assets	26 525 219	3 020 560	-	-	5 036 062	(1 894 178)	(1 953 455)	30 734
	79 604 055	21 878 846	(8 059)	(247 000)	-	(4 594 696)	(2 145 301)	94 487

Reconciliation of property, plant and equipment - 2014

Opening balance		Additions error	Prior period	Prior period error (2014)	Other changes, movements	Depreciation	Total	
Buildings		7 765 023	-	(13 644)	(21	-	(240 212)	7 489
Capital Work in Progress		6 249 037	12 666 174	-	-	(5 939 023)	-	12 976
Other Assets - Movables		2 918 245	853 403	-	-	-	(562 774)	3 208
Roads and Paving		27 398 271	3 556 851	-	-	-	(1 550 726)	29 404
Community Assets		19 987 208	1 992 365	260 120	13 773	5 939 023	(1 667 270)	26 525
		64 317 784	19 068 793	246 476	(8 016)	-	(4 020 982)	79 604

Opening balances

	As Previously Reported	Correcti on of errors	Correcti on of errors	Total
Buildings	7 524 810	-	-	7 489
Roads and Pavings	-	29 404	-	29 404
Community Assets	-	26 251	260 121	26 525
Other Assets - Movables	-	3 208	-	3 208
Capital Work in Progress	-	12 976	-	12 976
		188		188

79 365	246 478	(8 016)	79 604
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Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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4. Property, plant and equipment (continued)

The prior period errors in 2013 of R246 478 were due to a duplication of an asset in the fixed asset register (R273 000) and errors resulting from the subsequent decomponentisation of community assets as well as the re-alignment of useful lives of R519 477.

The prior period errors in 2014 of R8 016 were as a result of subsequent decomponentisation of community assets as well as the re-alignment of useful lives.

The impairment losses incurred were for damages and inferior construction related to sportsfields and damages for other assets.

5. Intangible assets

2015				2014		
Cost / Valuation	Accumulate d amortisatio n and accumulate d impairment	Carrying value Valuation	Cost /	Accumulate d amortisatio n and accumulate d impairment	Carrying value	
Computer software	120 219	(72 131)	48 088	120 219	(48 087)	72 132

Reconciliation of intangible assets - 2015

	Amortisation	Total
Opening balance		
Computer software	72 132	(24 044)
		48 088

Reconciliation of intangible assets - 2014

	Total
Opening balance	
Computer software, other	96 175
	96 175

6. Receivables from exchange transactions

Other debtors	1 306 234	423 389
UMDM	-	43 876
	1 306 234	467 265

7. VAT receivable

VAT	2 043 251	931 385
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Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

The municipality has lodged an objection with SARS regarding VAT returns where certain input tax has been disallowed by SARS. The matter is still under review by SARS.

8. Consumer debtors

Gross balances

Rates	12 202 247	6 087 747
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Less: Allowance for impairment

Rates	(4 890 255)	(2 632 080)
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Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
8. Consumer debtors (continued)		
Net balance		
Rates	7 311 992	3 455 667
Rates		
Current (0 -30 days)	1 808 369	336 845
30 days	675 674	348 643
60 days	711 906	307 868
90 days	587 341	287 384
120 days	649 506	88 859
150 days	438 338	375 053
180 days	7 331 113	4442 609
Debtors Discounting	(2 315 238)	(1102 94)
Provision for Bad Debt	(2 575 017)	(1629300)
	7 311 992	3 455 667
Reconciliation for discounting and impairment		
Balance at beginning of the year	(2 632 080)	(867 079)
Contributions made during the year	(2 258 175)	(1765001)
	(4 890 255)	(2 634 080)
Councillors in Arrears		
No Councillors were in arrears with the municipality in 2014 / 2015	Nil	Nil
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand /Float	371	371
Petty Cash	31	31
Standard Bank -Account number 052149978 - Current Account	532 689	315 267
Standard Bank -Account number 354264338 - Market Link	14 080 499	5 204 746
FNB - Account number 74104076952 - Business Fixed Maturity Notice	-	50 776
	14 613 590	5 571 191
Bank statement balances:		
Standard Bank - Account number 052 1499 78 - Current Account	- 14 080	- 315
Standard bank - Account number 354 264 338 - Market link	499	267
FNB - account number 7410 4076 952 - Business Fixed Maturity Notice	692 688	1 591 866
	-	50 776
10. Revaluation reserve		
Opening balance	13 672 554	14 329
Charge during the year	(846 736)	(657 353)
	12 825 818	13 672
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Unspent conditional grants and receipts

MIG

-

1 090 112

Municipal systems improvement grant

-

9 520

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
11. Unspent conditional grants and receipts (continued)		
MAP	47 028	47 028
Community development workers	11 225	11 225
Corridor development	-	205 999
Financial management grant	271 157	15 827
Housing grant	444 068	444 068
Lums grant	46 537	46 537
Soul buddies	2 375	2 375
Sport grant	-	117
Electrification Grant	3 232 856	1 746 008
Unspent Grant -	-	- 901
EPWP Unspent	-	-
	4 055 246	3 619 718
Movement during the year		
Municipal systems improvement grant		
Opening balance	9 520	18 770
Current year receipts	934 000	890 000
Conditions met - transfer to revenue	(943 520)	(899 250)
Conditions still to be met - transfer to liabilities	-	9 520
MAP		
Opening balance	47 028	278 802
Current year receipts	-	- (231)
Conditions met - transfer to revenue	-	774)
Conditions still to be met - transfer to liabilities	47 028	47 028
Community development workers		
Opening balance	11 225	11 225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	11 225	11 225
Corridor development		
Opening balance	205 999	205 999
Conditions met - transferred to COGTA	(205 999)	-
Conditions still to be met - transfer to liabilities	-	205 999
Financial management grant		
Opening balance	15 827	32 707
Current year receipts	1 800 000	1 650 000
Conditions met - transfer to revenue	(1 544 670)	(1 666)
Conditions still to be met - transfer to liabilities	271 157	15 827
Housing grant		
Opening balance	444 068	444 068
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	444 068	444 068
Lums grant		
Opening balance	46 537	46 537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	46 537	46 537

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
11. Unspent conditional grants and receipts (continued)		
Municipal infrastructure grant		
Opening balance	1 090 112	2 289 152
Current year receipts	16 251 000	14 427 000
Conditions met - transfer to revenue	(17 341 112)	(15 626 040)
Conditions still to be met - transfer to liabilities	-	1 090 112
Soul buddies		
Opening balance	2 375	10 464
Current year receipts	-	(8 089)
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	2 375	2 375
Sport grant		
Opening balance	117	133 905
Current year receipts	(117)	(133 788)
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	-	117
Pound Grant		
Opening balance	-	104 776
Conditions met - transfer to revenue	-	(104 776)
Conditions still to be met - transfer to liabilities	-	-
Electrification		
Opening balance	1 746 008	6 370 172
Current year receipts	5 000 000	-
Conditions met - transfer to revenue	(3 513 156)	(4 624 164)
Conditions still to be met - transfer to liabilities	3 232 852	1 746 008
Expanded Public Works Programme Grant		
Opening balance	-	-
Current year receipts	1 132 000	1 000 000
Conditions met - transfer to revenue	(1 132 000)	(1 000 000)
Conditions still to be met - transfer to liabilities	-	-
Library Grant		
Opening Balance	901	-
Current Year receipt	681 000	653 000
Conditions met - transfer to revenue	(681 901)	(652 099)
Contributions still to be met - transfer to liabilities	-	901
LGSETA		
Opening Balance	31 669	12 297
Conditions met - transfer to revenue	(31 669)	(12 297)
	-	-
DSD - Social Development Grant		
Opening Balance	11 956	51 826
Conditions met - transfer to revenue	(11 956)	(51 826)
	-	-

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
11. Unspent conditional grants and receipts (continued)		
The nature and extent of government grants recognised in the annual financial statements are indication of other forms of government assistance from which the municipality has directly benefited.		
Non-current liabilities	-	-
Current liabilities	4 055 246	3 619 718
4 055 246	3 619 718	

12. Provisions

Reconciliation of provisions - 2015

Opening Balance		Increase/ (Decrease)	Total
Medical Aid Benefits and Long Service Awards (Long Term)	1 865 028	334 972	2 200 000
Provision for leave	1 606 679	14 887	1 621 566
Medical aid benefits and long service (Short term)	18 479	42 521	61 000
3 490 186		392 380	3 882 566

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
12. Provisions (continued)		
Reconciliation of provisions - 2014		
	Openin g	Increas e/ Total
Medical Aid Benefits and Long Service Awards (Long Term)	Balanc	(Decrea
Provision for leave	1 196 014	410 665
Medical aid benefit and Long service (Short term)	32 445	(13 966)
	2 524 810	965 376
		3 490

The leave provision represents management's best estimate of the municipality's liability under one period based on prior experience .

Post retirement medical benefits

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

12. Provisions (continued)

POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The main assumptions used by the actuary are:	2015	2014
Discount rate per annum	Yield curve	9.92%
Health care cost inflation rate	CPI + 1%	8.89%
Net effective discount rate Post -Retirement subsidy Retirement age	Yield curve based	0.95%
Males	65	65
Females	60	60
Mortality during employment Mortality post retirement	SA 85-90 Ultimate Mortality Table PA90-1 Ultimate Mortality Table .	
Number of in-service members	48	42
Number of pensioners	0	25
No. of Active employees	0	0
Accrued liability at 30 June	1285000	113895
Future - service cost		173457
Interest cost	112415	70,856
Expected benefits payments/ Change in assumption	100,586	0
Actuarial loss/(gain)	39242	199,540
Total annual expense		146044
Projected accrued liability at 30 June ensuing year		1538000
Accrued liability at 30 June	1285000	1,138,956
Short term portion of accrued liability	-	-
Long term portion of accrued liability	1285000	1,138,956
The effect on the liability of a 1% change in the assumed rate of medical inflation:	Liability (R)	Liability (R millions)
Central assumptions		0.994
1% increase in assumed medical inflation	1.025	1.252
1% decrease in assumed medical inflation	0.968	0.767

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

12. Provisions (continued)

Long Service Awards and Retirement Gifts

LONG SERVICE AWARDS AND RETIREMENT GIFTS

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

The main assumptions used by the actuary are:	2015	2014
Discount rate per annum	Yield Curve	8.40%
General salary inflation rate (long term) Net effective discount rate	Equal to CPI	7.38%
Retirement age Males	Yield curve based	0.94%
Females	65	65
Mortality during employment : SA 85-90 Ultimate Table adjusted for Female lives	60	60
Number of Active employees	81	67
Accrued liability at 30 June	976,000	744,551
Future - service cost	109,277	87,407
Interest cost	61,796	44,191
Expected benefits payments	-37,318	-32,445
Actuarial loss/(gain)	97,694	60,604
Total annual expense	231,449	159,757
Projected accrued liability at 30 June ensuing year	976,000	897,145
Accrued liability at 30 June	976,000	744,551
Short term portion of accrued liability	-61,000	-18,479
Long term portion of accrued liability	915,000	726,072
The effect on the liability of a 1% change in the assumed rate of salary inflation:	Liability	Liability
Central assumptions	(R millions)	(R millions)
1% increase in assumed salary inflation	0	0.731
1% decrease in assumed salary inflation	1.095	0.800
	0.915	0.670

13. Payables from exchange transactions

Trade payables	3 355 374	782 434
Other creditors	1 129 472	625 439
Retention	2 921 916	2 023 336
	7 406 762	3 431 209

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
14. Property rates		
Rates received		
Residential	2 670 426	2 787 354
Commercial	516 075	2 117 347
State and Education	1 085 578	174 961
Agriculture	2 694 179	2 033 687
Public service infrastructure	143 195	49 718
Sectional Title	1 313 919	-
Other Properties	1 839 132	1 377 071
Industrial	2 783 987	-
Less: Income forgone	(1 458 138)	(1 501 658)
	11 588 353	7 038 480
Valuations		
Residential	277 787	210 717
Commercial	67 242 000	40 476 000
State and education	53 594 270	52 730 000
Agriculture	1 528 820	879 900
Public service infrastructure	79 045 000	16 902 000
Sectional Title	74 922 000	540 000
Other Properties	295 715	111 174
Industrial	407 370	88 606 000
	2 784 496	1 401 045
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
15. Government grants and subsidies		
Operating grants		
Equitable share	39 424 000	23 921 000
Library - Grant Income	681 901	652 099
DSD - (Social Development - Grant)	11 956	51 826
Electrification Grant	3 513 152	4 624 164
Financial Management Grant	1 544 670	1 666 881
MAP Grant	-	231 774
MIG	18 056 872	15 626 040
MSIG	943 520	899 250
Sports Grant	-	133 788
LGSETA	31 669	12 297
Pound Grant	-	104 776
Soul buddies	-	8 089
EPWP Grant	1 132 000	1 000 000
	65 339 740	48 931 984
	65 339 740	48 931 984
Equitable Share		

In terms of the Section 227 of the Constitution, this grant is used to enable the Municipality to provide basic services and perform functions allocated to it.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

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2014

16. Other income

Library Income	18 485	12 587
Clearance Certificates	9 315	13 879
Subscription Library	35	105
Tender Fees	84 709	49 095
Building Plans	179 619	194 320
Operating lease income	73 072	68 572
Other Revenue	120	240
Application fee (Planning)	17 737	6 569
Enforcement	14 386	-
	397 478	345 367

17. General expenses

Materials	48 926	48 533
Advertising	228 867	136 293
Auditors Fees	1 083 457	787 459
Pound Security	89 417	153 900
Face Value - Licence Card Renewals	185 733	182 967
Legal Expenses	205 724	530 644
Consumables	226 357	117 553
Valuation Fees	23 333	770 707
Landfill Site Fees	169 066	131 863
Rentals	472 289	120 957
Insurance	167 854	129 498
Community development and Training	3 582 376	2 904 495
Conferences and seminars	226 582	217 908
Bank Charges	139 369	117 055
IT expenses	515 844	573 014
Levies - Kwa Nologa	500 000	450 000
Magazines and Periodicals	46 600	-
Licence Renewal	17 176	9 353
Disaster Management	303 338	245 171
Fuel and oil	512 132	681 999
Postage and courier	28 631	26 316
Printing and stationery	320 215	253 863
Art & Culture	262 430	262 414
Protective clothing	94 246	61 333
Security Charges - Banking	47 557	44 928
Telephone and fax	512 763	445 738
Training and Development	528 750	372 615
Subsistence and Travelling	19 357	27 867
Electricity	675 112	527 580
Tourism development	26 756	79 574
Building Control	82 122	51 684
Sport and Recreation	850 248	664 754
Civic and Hospitality	153 088	105 641
Vat Correction - Prior Year	134	-
Consultants Fees	1 519 808	1 391 336
Other expenses	242 047	-
	14 107 704	12 625

18. Employee related costs

Basic	14 442 228	13 256
Bonus	926 537	781 477
Medical aid - company contributions	835 463	704 651

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

UIF	99 732	106 564
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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Employee related costs (continued)		
SDL	161 441	147 837
Leave pay provision charge	807 689	702 500
Cell Phone Allowances	41 600	34 976
Defined contribution plans	1 792 793	2 551 086
Travel, motor car, accommodation, subsistence and other allowances	269 000	189 040
Overtime payments	1 034 305	878 784
Acting allowances	136 857	226 781
Housing benefits and allowances	57 178	43 020
Bargaining Council Contributions	5 500	6 432
Stipend - Ward Committee	801 000	758 000
	21 411 323	20 388
Remuneration of Municipal Manager		
Annual Remuneration	137 730	288 000
Travel Allowance	24 000	36 000
Back Pay	-	23 869
Other Allowances	419 895	499 232
Leave Pay	159 704	83 654
Subsistence and travelling	-	23 646
Cellphone Allowances	8 000	12 000
	749 329	966 401
The Municipal Manager resigned in February 2015		
Remuneration of Chief Finance Officer		
Annual Remuneration	637 000	-
Travel Allowance	66 000	-
Other Allowances	409	-
Cellphone Allowances	8 800	-
Acting allowance	5 191	65 387
	717 400	65 387
The Chief Finance Officer was appointed from August 2014. The acting allowance was for the acting Chief Finance Officer during July 2014.		
Remuneration of Manager of Community Services		
Annual Remuneration	672 000	264 320
Travel Allowance	84 000	33 040
Acting Allowances	-	29 581
Cellphone Allowance	9 600	3 776
Other Allowances	13 949	4 401
	779 549	335 118
The Community service manager was appointed in March 2014.		
Remuneration of Manager Technical Services		
Annual Remuneration	175 000	300 000
Travel Allowance	35 000	60 000
Backpay	-	19 557
Leave Pay	149 501	43 903
Other Allowances	237 525	387 634
Cell Allowance	5 600	9 600

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Employee related costs (continued)	602 626	820 694
The Technical Service Manager contract expired in February 2015		
Remuneration of Manager of Corporate Services		
Annual Remuneration	696 000	676 000
Travel Allowance	60 000	60 000
Other Allowances	11 186	11 634
Leave Pay	36 914	-
Cellphone Allowance	9 600	9 600
Back Pay	-	19 557
	813 700	776 791
19. Remuneration of councillors		
Mayor	705 981	649 079
Deputy Mayor	567 419	544 455
Exco Members	304 470	139 887
Speaker	572 150	544 455
Councillors	2 342 338	2 244
	4 492 358	4 122
20. Interest received		
Interest Earned from investments	905 810	876 499
Interest charged on trade and other receivables	1 105 210	2 939
	2 011 020	879 438
21. Auditors' remuneration		
External Audit Fees	1 083 457	787 459
22. Operating lease commitments (lessee)		
Operating lease payments represent rentals payable by the municipality for certain office photocopying machines. Leases are negotiated on an average term of five years. Lease rentals escalate by 10% per annum over the period of the lease.		
Operating leases - as lessee (expense)		
Minimum lease payment due		
Within one year	108 427	108 427
Between two to five years	262 031	370 457
	370 458	478 884
23. Cash generated from operations		
Surplus	25 180 816	7 912 016
Adjustments for:		
Depreciation and amortisation	4 626 666	4 039

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Other Non - Cash flow	- 2 145	(783968)
Items Impairment deficit	300	-
Debt impairment	2 258 175	1 765
Movements in operating lease assets and accruals	(14 089)	(33 606)

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Cash generated from operations (continued)		
Movements in provisions	392 380	965 376
Changes in working capital:		
Receivables from exchange transactions	(838 969)	116 193
Consumer debtors	(2 694 391)	(2 325)
Other receivables from non-exchange transactions	-	(11 673)
Payables from exchange transactions	(344 800)	(55 260)
VAT	(1 111 866)	1 115 694
Unspent conditional grants and receipts	435 528	(632 686)
	30 034 750	6 376 531
24. Capital Commitments		
24.1. Committed in respect of Capital Expenditure		
Approved and contracted for :		
• Road Infrastructure	740 030	283 642
• Community Infrastructure	3 470 237	551 916
	4 210 267	835 558
24.2. Approved and Not Contracted for		
• Community Infrastructure	13 351 000	-
• Roads Infrastructure	3 500 000	19 140
• Community Services	-	1 080 000
• Other Capital assets	-	500 000
	16 851 000	20 720
Total capital commitments		
Already contracted for but not provided for	4 210 267	835 558
Not yet contracted for and authorised by accounting officers	16 851 000	20 720
	21 061 267	21 555
Authorised operational expenditure		
Approved and contracted for		
• Contracted Service	3 137 335	3 571 834
Approved and not contracted for		
• Electrification	11 161 218	5 000 000
Total operational commitments		
Already contracted for but not provided for	3 137 335	3 571 834
Not yet contracted for and authorised by accounting officers	11 161 218	5 000 000
	14 298 553	8 571 834
Total commitments		
Total commitments		
Authorised capital expenditure	21 061 267	21 555
Authorised operational expenditure	14 298 553	8 571 834
	35 359 820	30 127
25. Contingent Liability		

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

25. Contingent Liability (continued)

1. Due to the fact that not all the posts on the municipality's organogram were evaluated, it is impractical for the municipality to measure the cost of the liability reliably.

Litigation Cases :

2. Manderstone PDA appeal - The appellants advised that it was their intention to bring a high court review applications against the municipality to prove the rezoning. The high court application notice has been received and the Council will then decide whether or not to oppose the application or set aside the matter. The municipality is not defending the matter but is exposed to a possible costs order of R70 000.00.

3. HFR Properties (Pty) Ltd - Portion 17 of the farm Honing Krantz no 945 - HFR properties has erected building without approved plans and is using the property in conflict with town planning scheme provisions. The attorneys has been instructed to obtain the court order for the illegal use of the property. The expected costs is unknown at this point.

4. Spar Development - Action were taken against the developers of Spar to enforce compliance with various transgressions of the Town planning scheme. The developer appealed to the Municipality to allow it time to regulate the transgression. Discussions are to be held with Spar. The expected costs are unknown at this point.

5. ERF 149 Camperdown Madrasah - A successful order was obtained to prevent unlawful occupation of a building erected without the necessary building plans. A bill of costs was taxed but the municipality decided to pursue the matter out of the court and implement the court order to demolish the building.

6. Excellence at Work Consultants CC - Termination of a feasibility study for a cemetery site. The matter is pending in the Magistrate Court. Possible costs are R 135 000.

7. Portion 3 of Farm Tala No.16135 / Nkumbuleni Community Trust - Unauthorised use of land and buildings. An application has been made to the high court for an interdict to prevent trading activities. The expected costs are unknown at this point.

8. Bridoon Trade & Investment - The parties are negotiating on the possible acquisition of land. The expected costs are unknown at this point.

9. Sundeep Singh - The service provider is under curatorship. The matter is presently pending in the Magistrate Court in Camperdown. The expected costs are unknown at this point.

10. Mjajisi Elias Wanda - Claim for damaged crops against the Municipality, Expected costs R 5 000.00.

26. Prior period errors

The following adjustment were made to amounts previously reported in the Annual Financial statements of the Municipality arising from the compliance to GRAP standards.

Operating lease income

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Amount Previously Reported	-	-
Operating lease asset	-	44 670
Opening Accumulated Surplus	-	(62 858)
Operating lease income	-	(68 572)
Payables	-	90 720
Payables from exchange transactions	-	(3 960)
	-	-

Investment Property

Property, plant and equipment (Prior to 30 June 2013)	-	(273 000)
Investment Property (Prior to 30 June 2013)	-	273 000

The correction of error for leases was as a result of operating lease income not being previously recognised on the financial statements.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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The correction of error for investment properties was due to the duplication of an asset reflected in the asset register.

Property, plant and equipment

Investment Property (Prior to 30 June 2013)	-	273 000
Property, plant and equipment (Prior to 30 June 2013)	-	(273 000)
Accumulated Depreciation (Buildings) (Prior to 30 June 2013)	-	(13 644)
Accumulated Surplus (Prior to 30 June 2013)	-	13 644
Accumulated Depreciation (Community Assets) (Prior to 30 June 2013)	-	533 121
Accumulated Surplus (Prior to 30 June 2013)	-	(533 121)
Depreciation (Buildings)	-	21 789
Accumulated Depreciation (Buildings)	-	(21 789)
Accumulated Depreciation (Community Assets)	-	13 773
Depreciation (Community Assets)	-	(13 773)

The correction of error relating to property, plant and equipment related to the duplication of an asset reflected in the asset register and errors which arose from the subsequent decomponentisation of community assets as well as the realignment of useful lives.

27. Risk management Liquidity risk

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

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

The amounts reflected within trade and other payables from exchange transactions are R7 406 762 (2014: R3 431 208).

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.

Credit risk

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

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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Financial instrument	2015	2014
Cash and cash equivalents	14 613 590	5 571 191
Consumer debtors	7 311 992	3 455 667

28. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to that of 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.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
29. Irregular expenditure		
Opening balance	1 768 717	-
Irregular Expenditure - current year	641 716	1 476 459
Less: Amounts condoned	-	-
Discovered during 2014 /2015 Audit	713 177	292 258
Less: Amounts not recoverable (not condoned)	-	-
Amounts not condoned	3 123 610	1 768 717

Irregular expenditure consists of SCM deviations amounting to R641 716 during the current period.

Irregular expenditure of R713 177 was as a result of service provider declaration of interests not being obtained.

Contracts awards in Terms of Section 36 (Deviations from /and ratification of minor breaches of procurement processes of the Supply Chain management policy amounted to R641 716 These were mainly due to 3 quotes not being obtained and other SCM processes not being complied with.

30. Related Parties

During the year, the municipality traded with Sya Matiwane Trading who provided decorating services to the Municipality to the value of R4500. Mrs K.M Matiwane is employed as a Cyber Cadet at the Camperdown Municipality Library and is the spouse of the owner of Sya Matiwane Trading. No transactions have been incurred in the 2014 /2015 year.

31. Deviation from procurement processes

Irregular Expenditure	641 716	1 768 717
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32. Operating lease commitment (lessor)

Present value of minimum lease payments due

- Within one year	68 572	68 572
- in second to fifth year inclusive	274 289	274 289
- later than five years	137 145	205 717
	480 006	548 578

The average lease term is for 9 years and 11 months for the lease of the premises. Lease rentals escalate at 10% per annum.

33. Operating lease and liabilities

Current assets	61 366	44 670
Current liabilities	(13 671)	(11 064)
	47 695	33 606

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

The operating lease asset (lessor) has arisen due to the straight-lining of rental income. The operating lease liability (lessee) is due to the straight-lining of lease payments arising from the use of photocopiers.

34. Receivables from non-exchange transactions

Other taxes	11 673	11 673
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35. Revenue

Commissions received	12 173	10 875
Other income	397 478	345 367
Interest received	2 011 020	879 438
Property rates	11 588 353	7 038 480
Government grants & subsidies	65 339 740	48 931 84

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
35. Revenue (continued)		
Donations Income	-	49 794
Fines, Penalties and Forfeits	31 550	34 340
Licenses and permits	3 946 205	3 542 510
	83 326 519	60 832
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commissions received	12 173	10 875
Other income	397 478	345 367
Interest received	2 011 020	879 438
	2 420 671	1 235 680
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11 588 353	7 038 480
Transfer revenue		
Government grants & subsidies	65 339 740	48 931
Donations Income	-	49 794
Fines, Penalties and Forfeits	31 550	34 340
Licenses and Permits	3 946 205	3 542 510
	80 905 848	59 597
36. Administrative expenditure		
Contributions to Medical Aid and long service awards	377 493	554 711
37. Debt impairment		
Debt impairment	2 258 175	1 765 002
38. Grants and subsidies		
Other subsidies		
FMG Expenditure	1 496 407	1 666 881
Electrification grant expenditure	3 513 152	4 855 938
Library Grant Expenditure	681 901	336 752
EPWP Grant Expenditure	1 099 352	945 337
MSIG Expenditure	943 520	869 335
Sport Grant	-	133 788
	7 734 332	8 808 031

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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39. Change in estimate

In the 2014 valuation, the actuaries assumed that some of the in - service members who are currently not on medical - aid will later join the medical aid. The actuaries also assumed that some of the employees, currently on medical aid will leave the medical aid before retirement.

In the 2015 valuation, the actuaries assumed that the members currently on medical aid will not leave the medical aid before retirement and those who have not joined a medical aid will not do so in future. The effect on the 2015 financial year is a decrease in the medical aid benefits liability of R100 586.

At the end of the year, management reviewed and revised the useful lives of certain assets based on information that best reflected the conditions and circumstances that existed at the reporting date. The asset items affected included IT equipment, furniture and fittings, motor vehicles, office equipment, plant and equipment, tools and equipment and other assets. The effect of the change in residual values across these asset items was 10%. The change in useful lives for IT equipment between 3-5 years changed to 7-8 years. The change in useful lives for furniture and fixtures between 5-10 years changed to 9-20 years. The change in useful lives for motor vehicles between 7-10 years changed to 11-20 years. The change in useful lives for office equipment between 3-5 years changed to 7-9 years. The change in useful lives for plant and equipment between 2-20 years changed to 4-25 years. The change in useful lives for tools and equipment and other assets between 3-5 years changed to 7-9 years. The net effect on the 2015 depreciation charge was a decrease of R4 563. The revised depreciation charge was R594 702 (the existing depreciation charge would have been R599 265) for these asset items.

40. Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure - Current Year	2 966 935	-
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Costs of R2 764 335 were incurred to reconstruct a sports field in the 2014/15 financial year due to the non-adherence to engineering standards that occurred in previous financial years. The costs of R190 821 in running the animal pound are fruitless and wasteful expenditure as the pound is not fully operational. Interest incurred for Eskom, Telkom and UMDM amounted to R8 106. Expenditure incurred on a lost Samsung Tablet amounted to R3 673.

41. In-kind donations and assistance

In-kind donations provided and gifts received

In-kind donations provided by the municipality	4 500	-
Gifts received	(7 196)	-
	(2 696)	-

In-kind donations: Transportation service paid by the municipality to transport NGO children to a Christmas function.

Gifts received by Management members and Councillors attending a SALGA NMA

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Amount paid - current year	500 000	450
	<hr/>	<hr/>
Audit fees		
Amount paid - current year	2 037 298	1 406 359
	<hr/>	<hr/>
PAYE and UIF		
Current year payroll deduction	3 976 250	3 602 342
Amount paid - current year	(3 976 250)	(3 602 342)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Pension and Medical Aid Deductions		

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
42. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Current year subscription / fee	4 046 587	3 357 086
Amount paid - current year	(4 046 587)	(3357086)
	-	-
VAT		
VAT receivable	2 043 251	931 385

43. Events after reporting date

During August 2015, Maqongo Sportsfield was vandalised by the community and the incident was reported to the police for investigation. The estimated value of damages amounted to R5 800.

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2015

2014/2015

2013/2014

Original	Budget	Final	Shifting	Virement	Final	Budget	Unauthorised	Variance	Actual	Actual	Reported	Expenditure	Balance	Restated
et	Budg	l	g of	ment	al	Actu	orised	of	ual	al	ted	diture	to be	ed
Adjustments		adju	fund	(i.t.o.	Outcome		expen	Actu	Outcome	as	%	Outcome	as	%
	(i.t.o. s28	stme	s (i.t.o	Coun			diture	tu	unauthorised	authorised	in	as	%	recovered
	s31 of the	nts	s of	cil				al	of	of	expe	terms		Audited
	MFMA)	bud	MFMA	appo				Outcom	Bud	Bud	nter	section		Outco
	Rand	Rand	Rand	policy				against	Rand	Rand	Rand	Rand	Rand	Rand
								Adjust						
								Budget						
								Rand						
Property rates	16 406 000	(5 598 739)	10 807 261	-	10 807 261	-	-	11 588 353	781	71				7 038
Property rates - penalte charges	092	107 %												479
Service charges - water	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Service charges - refuse	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Service charges - other	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Donation Income	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Interest earned	832 374	-	832 374	-	832 374	905 810	-	73 436	109 %	10				876
Interest earned	156 732	1 043 268	1 200 000	-	1 200 000	1 105 210	-	(94 790)	92 %	70				2 939
Commission Received	-	4 000	4 000	-	4 000	12 173	-	8 173	304 %	DIV				-
Fines	89 803	-	89 803	-	89 803	31 550	-	(58 253)	35 %	35				34
Licences and permits	3 322 000	1 031 826	4 353 826	-	4 353 826	3 946 205	-	(407 621)	91 %	11				3 541
Agency services	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Transfers recognised	48 971 000	1 771 000	50 742 000	-	50 742 000	65 339 740	-	14 597 740	129 %	13				48
Other revenue	240 091	(92 355)	147 736	-	147 736	397 478	-	249 742	269 %	16				338
	-	-	-	-	-	-	-	-	DIV/0 %	DIV				-
Total Revenue	70 018 000	(1 841 000)	68 177 000	-	68 177 000	-	-	83 326	1	1				60 764
(excluding capital transfers and contributions)	519	15 149 519							2	1				217
									2	9				
									%	%				

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2015

2014/2015

2013/2014

Original	Budget	Final	Shifting of	Virement	Final	Budget	Unauthorised	Variance of	Actual	Actual	Reported	Expenditure	Balance to be	Restated
et	Budg	I	g of	t	al	Actu	expenditure	Ac tual	Outcome unauthorised	as % authorised in	Outcome as %	as %	rec overed	Audited
Adjustments	(i.t.o. s28 s31 of the MFMA)	adju stments bud	fund s (i.t.o s31 of MFMA)	(i.t.o. Coun cil appro policy)	Outcome			Outcom against Adjust Budget	of Bud	of Budg	expe	terms section MFMA	rec overed	Outco
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Expenditure By Type

Employee related costs of	21 969 000	-	21 969 000	-	-	21 969 000	21 492	-	(557 633)	97 %	97 %	-	-	19 301
Remuneration	4 751 991	-	4 751 991	-	-	4 751 991	-	-	(259 633)	95 %	95 %	-	-	4 122
Debt impairment	-	800 000	800 000	-	-	800 000	-	-	(800 000)	- %	DIV/0	-	-	-
Depreciation & asset impairment	2 541 600	2 000 000	4 541 600	-	-	4 541 600	6 771 966	-	2 230 366	149 %	266 %	-	-	4 039
Finance charges (360)	42 360	-	42 360	-	-	42 360	-	-	(42)	- %	-	-	-	-
Collection Costs	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Contribution to Medical Aid and long Service awards	-	300 000	300 000	-	-	300 000	377 493	-	77	126 %	DIV/0 %	-	-	-
Contracted services	-	-	-	-	-	-	-	-	-	DIV/0 %	83 %	-	-	-
Transfers Recognised Operational (751)	9 547 000	-	9 547 000	-	-	9 547 000	7 744 249	-	(1 802)	V/0 %	81 %	DIV/0 %	196 %	-
Other expenditure (935)	8 842 049	12 139 200	20 981 249	-	-	20 981 249	17 348 314	-	(3 632)	81 %	-	-	-	-

Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/O %
Surplus/(Deficit) for the year	2 823 000	(16 050 200)	(13 227 200)	-	(13 227 200)	25 180 816	-	25 180 816	110%

CHAPTER 7: AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2015

Mkhambathini Local Municipality

Audit Committee Report for the Financial Year ending 30 June 2015

Background

Mkhambathini Local Municipality has an Audit and Performance Committee (the Committee) in terms of Section 166 of the Municipal Finance Management Act 56 of 2003 of the Municipal Systems Act. The Committee serves purpose of being an independent advisory body to the Council the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

In terms of membership the Audit Committee is fully functional consisting of three (3) members of the Audit Committee, namely:-

- Mr S.J Kunene (Audit Committee Chairperson)
- Mr J. Mathobela (Audit Committee Member)
- Mrs D. H Phoswa (Audit Committee Member)

Membership and Attendance of Meetings.

The Audit Committee consists of independent members who by virtue of the requirement of Section 166 of the Municipal Finance Management Act 56 of 2003 and in terms of the approved Audit Committee Terms of Reference, is required to meet at least four times a year

Name	Number of Meetings Scheduled	Number of Meetings Attended
Mr S J Kunene (Audit Committee Chairperson)	06	06
Mr J. Mathobela (Audit Committee Member)	06	06
Mrs D. Phoswa (Audit Committee Member)	06	06

The Effectiveness of Internal Control

The Municipality's system of internal controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Municipal Finance Management Act and the King Report on Corporate Governance, Internal Audit's reports will provide the Audit Committee and Management with assurance that the internal controls of the Municipality are appropriate and effective.

The Audit Committee reviewed reports from the Internal Audit and we established the internal controls systems were in place and noted there was a lack of adequacy and effectiveness in terms implementation within the Municipality. Even though there were lack of effective systems of internal controls the Municipality responded by appointing a well experienced Chief Financial Officer to strengthening its internal controls systems and going forward such appointment will yield positive results.

Risk Management, Compliance and Effective Governance

During the financial year the Municipality undertook a risk assessment review process which was completed as part of risk management plan. The Internal Audit prepared the Risk Based Audit plan which was adopted and approved by the Audit Committee. The areas of weaknesses identified were brought to management's attention that took measures to resolve them. The management of risks, compliance issues as well as effective governance require ongoing monitoring.

Internal Audit Activity

The Internal Audit Activity during the year has been functioning as per the Internal Audit Charter approved by the Audit Committee. The Committee was satisfied that the work carried out by the Internal Audit Activity which among others included the development of the Risk Based Internal Audit Plan and its implementation.

Adequacy, Reliability and Accuracy of Financial Reporting and Information

The Committee did perform the review of the Municipality's Annual Financial Statement including the Accounting Policies.

Performance Management and Evaluation

There were weaknesses identified during the year relating to administration and management of performance information. These areas require leadership and management to give a special attention in orders to ensure continuous improvement on performance management information in terms of administration, monitoring, evaluation and performance reporting.

The review by the Audit Committee of quarterly reports and Performance Management System with special focus on economy, efficiency and effectiveness indicate that further improvements are still required.

The Municipality have since responded by appointing a dedicated resource to deal with performance information management in order to address issues identified. The Audit Committee welcomed and supported the response by the Municipality however there is still some room for improvements in this area.

Audit Opinion

The Audit Committee welcome the unqualified audit findings by the Auditor General and looking forward to the Municipality address those matters of emphasis raised in the audit report.



MANAGEMENT PROGRESS REPORT ON AUDITOR GENERAL'S REPORT 2014/2015

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
17. 18. 19.	Reported objectives, indicators and targets not consistent with planned objectives ,indictors and targets	Section 41 (c) of the Municipal Systems Act of South Africa 2000 (Act no. 32 of 2000) (MSA) requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents.	<ul style="list-style-type: none"> The appointment of the Performance Management Consultant to undertake a review of all the findings and to prepare and implement an action plan to address the issues appearing in the audit report. 	Municipal Manager Performance Management Consultant	Immediate and thereafter On-going	PMS Consultant to be appointed.
20.	Local Economic Development - Reliability of reported performance information	<ul style="list-style-type: none"> A total of 96% of the reported objectives were not consistent with those in the approved integrated development plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent. 	<ul style="list-style-type: none"> The HoDs and the PMS Manager will be responsible for ensuring that there are appropriate systems to collect, collate, verify and store performance information. 	All HoDS PMS Manager		KZN CoGTA to assist with reviews on the alignment between the IDP, SBDIP and quarterly/ monthly reports
21.	Social Development Services – Reliability of reported performance information	<ul style="list-style-type: none"> A total of 31% of the reported indicators were not consistent with those in the approved service 	<ul style="list-style-type: none"> Once the Performance Management Consultant is appointed, monthly reports to be submitted to MANCO, will be reviewed to ensure progress on addressing the findings raised by the Auditor-General. 			

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
		<p>delivery and budget implementation plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent.</p> <ul style="list-style-type: none"> • A total of 72% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to the fact that the municipality did not ensure that the planning documents and reporting document were consistent. <p><u>Local Economic Development</u> - The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 41% of</p>	<ul style="list-style-type: none"> • KZN CoGTA to review the alignment between the IDP, SDBIP and quarterly/monthly reports. 			

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
		<p>the targets to assess the reliability of the reporting performance information. The municipality's records did not permit the application of alternative audit procedures. This was due to the absence of proper record keeping system.</p> <p><u>Social Development Services</u> - The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 63% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures. This was due to the absence of proper record keeping system.</p>				
8.	Material impairments	As disclosed in note 8 to the financial statements, material	<ul style="list-style-type: none"> Management have appointed an employee from April 2015 	Municipal Manager	Implemented and on-going	Letters of demand have

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
		impairment to the amount of R4.9 million	<p>within the income/revenue department to initiate revenue collection mechanisms for all outstanding debtors.</p> <ul style="list-style-type: none"> Debt collection mechanisms and implementation of the internal receivables policy will be a priority for the 2015/16 financial year. 	CFO		been sent to customers
27.	Procurement and contract management	Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13 (c).	<ul style="list-style-type: none"> A review of the procurement processes is currently being conducted by the CFO, including the detailed review of bid documentation and that the declaration of interests by service providers is provided. The Internal Supply Chain Management Policy will be reviewed and aligned to the Supply Chain Management Regulations. SCM to ensure that the declaration forms are completed and signed by bidders who are awarded work by the Municipality. 	Municipal Manager CFO SCM	Immediate and thereafter On-going	New SCM measures and training on contract and procurement management to be provided by KZN Provincial Treasury will assist.

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
			<ul style="list-style-type: none"> With Provincial Treasury SCM Support unit conducting training and reviews. 			
28.	Expenditure management	Reasonable steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 62 (1) (d) of the MFMA	<ul style="list-style-type: none"> Management will ensure that expenditure and capital project expenditure is reviewed, including supporting documentation. A Technical Services Manager will be appointed during the 2016 financial year to oversee all capital projects and review all supporting documentation. 	Municipal Manager CFO SCM	Dependent on the appointment of the Technical Services Manager	The Technical Services Manager will be appointed from April 2016. The Municipal Manager and CFO to review all expenditure information and supporting documents relating to capital projects.
29.	Asset management	An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63 (2)(a) of the MFMA.	<ul style="list-style-type: none"> The fixed asset register will be updated on a bi-annual basis, with reviews will performed by the CFO and internal audit. The reviews of cost, depreciation and impairment 	Municipal Manager CFO Internal Audit	January 2016 onwards	Financial controls over the fixed asset register and related internal controls will be implemented

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
			calculations will be performed by the CFO and internal audit.			via the office of the CFO. The necessary oversight and review will be provided by the Municipal Manager and Internal Audit.
31.	Leadership	The accounting officer did not exercise adequate oversight over financial and performance reporting and compliance with legislation. The vacancy in the position of accounting officer resulted in the chief financial officer acting as accounting officer. The chief financial officer therefore did not have sufficient time to oversee the finance section, which has had a negative impact on the oversight and monitoring functions of management. This further affected the credibility of the information and reports provided to leadership for oversight and decision-making.	<ul style="list-style-type: none"> The post of the Municipal Manager has been filled with effect from 15 October 2015. 	Municipal Manager	15 October 2015	<p>The Municipal Manager's post has been filled.</p> <p>The Municipal Manager will provide the necessary leadership and oversight during the 2015/16 financial year.</p>
32.						

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
	Financial and performance management	There was inadequate supervision and monitoring of the financial management functions of the entity, resulting in the system of financial and internal controls not preventing, detecting and correcting material non-compliance and material findings in the annual performance report.	<ul style="list-style-type: none"> The fixed asset register will be updated on a bi-annual basis, with reviews will performed by the CFO and internal audit. Management will ensure that expenditure and capital project expenditure is reviewed, including supporting documentation. The Performance Management Consultant and KZN CoGTA will assist the municipality with regards to the addressing of the performance information findings raised by the Auditor-General. 	Municipal Manager CFO Internal Audit PMS Manager	January 2016 onwards	Financial controls over the fixed asset register and related internal controls will be implemented via the office of the CFO. Controls over performance information will be implemented during 2016 by the PMS Manager, with assistance from a Performance Management Consultant and KZN CoGTA. The necessary oversight and review will be provided by the Municipal Manager.

Ref.	Matter	Detail	Planned corrective action	Responsible official/structure	Timeframe	outcome
33.	Governance	The was inadequate review of predetermined objectives, financial reporting and compliance with applicable legislation by internal audit and audit committee during the year which resulting in the internal controls not preventing, detecting and correcting material non-compliance and material findings in predetermined objectives.	<ul style="list-style-type: none"> Management will liase with internal audit to perform detailed reviews on asset management at the municipality. Recommendations made by internal audit and the audit committee will be adhered to by municipal management. 	Municipal Manager Internal Audit Audit Committee	January 2016 onwards	Meetings will be held from January 2016 onwards with the respective stakeholders.

CHAPTER 7: PERFORMANCE MANAGEMENT REPORT

MAYORS FOREWORD

I am pleased to present the Mkhambathini Municipality's Annual Performance Report covering the period 1 July 2014 – 30 June 2015. The report provides a measure of our performance and tracks operational and strategic performance in the context of the Municipality's approved IDP priorities.

To become increasingly accountable in our reporting; and to ensure transparency in respect of our budgetary, monitoring and oversight processes, we present an Annual Report which emphasises on the connection between our strategic planning processes and our operation achievements. Accordingly, we share our successes, and challenges during the year, thereby deepening our communicating with stakeholders and setting the bar high for future performance reporting in all areas of the Municipality's services, infrastructure and administrative delivery.

I would like to take this opportunity to acknowledge efforts to the Municipality's leadership and administration in positively advancing the Municipality's strategic and transformative agenda during the year; and to thank them for their perseverance and readiness in boldly implementing the objectives of the IDP.

Towards the 3rd quarter of 2014/2015 we attained some notable achievement in terms of the Performance Management system, therefore this will allow us an improved way of reporting in the coming year. This entailed further aligning key performance indicators with the strategic priorities that drive our implementation process.

We continue to expand our programmes and we have managed to create 81 EPWP job opportunities. This was a combined initiative between the Municipality and the National Department of Public Works.

We are committed to improving our performance in the year ahead. We are confident that we will meet the expectations of our stakeholders as we drive implementation of our long, medium and short term strategies. This Municipality is intensifying integrated efforts to align the NDP, PGDS and IDP.

The Municipality holds the hopes and aspirations of its entire people. We are committed to our vision which is to provide sustainable services to all communities with emphasis on infrastructure

social and economic development in a safe and healthy environment managed by good leadership. We are creating safer caring communities and providing a safety-net for the indigent.

The report addresses issues that are material and provides a fair representation of the performance of the Mkhambathini Municipality for the period ending 30 June 2014.

Cllr T MAPHUMULO

MAYOR

MUNICIPAL MANAGER'S FOREWORD

The Municipality recognises the need to create an inclusive economy through increasing the contribution of SMME's to the economy. The Municipality is committed to developing competitiveness, innovation and increased investment through support for SMME's . The Expanded Public Works Programme (EPWP) aims to reduce unemployment and alleviate poverty by creating on-the job training. However it should be noted that there is a long way to go in achieving a totally inclusive economy and to eradicate unemployment.

Notwithstanding recorded achievements, the Municipality acknowledges missed targets. To enhance attainment of these the Municipality is improving its environmental and operational issues, improving capacity with an aim of reducing the use of Consulting firms. Furthermore the municipality is developing a plan to improve the skills of its workforce to ensure improved delivery against set targets.

A detailed review of our performance against SDBIP targets can be found in the report, reflecting where our targets were either met or missed.

The Municipality's biggest asset is its employees who bear responsibility for delivering its mandate to the communities. They are the foundation and drivers of our collective success. Accordingly, the Municipality strives to create value by attracting, developing and retaining skilled and competent people. Through our Human Resources Management function, we are committed to inspiring and growing people through individual development analysis and plans, as well as career management programmes and by recognising performance excellence. The Municipality is committed to recruiting from within its communities while also ensuring a deliberate focus on developing a local skills base where this may not exist.

I would like to express my appreciation for the support received from the Mayor, Cllr TE Maphumulo and political leadership in Council as well as the Municipality Sub-Committee which also encompass the Audit and Performance Audit Committee. Administratively, I would like to thank all staff members who are operationally involved and our senior management for their continuous support. Collectively we remain committed to efficient service delivery and the attainment of a liveable and sustainable Mkhambathini area.

MR M CHANDULLAL

ACTING MUNICIPAL MANAGER

INTRODUCTION

BACKGROUND TO MUNICIPAL PERFORMANCE REPORTING

The Mkhambathini Municipality's Annual Performance Report 2014/15 is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, 32 of 2000 and Chapter 12 for the Municipal Finance Management Act, 56 of 2003. The Municipal System Act prescribes the role of each sphere of government in the municipal performance reporting.

PURPOSE OF THE REPORT

The main purpose of this report is to account to the MEC for Local Government, the Provincial legislature, the National Council Of Provinces (NCOP), the Minister of Cooperative Governance and Traditional Affairs, National Treasury, Auditor- General and to the Community of Mkhambathini and the citizen of South Africa on progress being made by municipalities towards achieving the overall goal of "a better life for all". Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South Africa developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, the Batho Pele, White Paper on Local Government, MSA and the MFMA.

THE ASSESSMENT PROCESS AND THE METHODOLOGY FOLLOWED IN COMPILING THE REPORT

Chapter 6 of the MSA requires the municipalities to monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports. These quarterly and mid-year reports make up the municipalities, annual performance reports as outlined in Section 46 of the MSA, which are submitted to the auditor General, together with the Financial Statement, for

auditing. After adopting of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the MEC for Local Government.

LEGISLATIVE OVERVIEW

Section 46 of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting-

- ✚ *The performance of the municipality and of each external services provider during that financial year;*
- ✚ *A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
- ✚ *Measures taken to improve performance*

An annual performance report must form part of the municipality's annual report in terms of chapter 12 of the Municipal Finance Management Act.

Section 121 (1) (3) c) of the Municipal Finance Management Act (MFMA) 56 of 2003, requires that:

- (1) Every municipality and every entity must for each financial year prepare an annual report. The Council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- 3) The annual Report of a municipality must include*
 - c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.*

Section 129 (1) a) – c) of the Municipal Finance Management Act (MFMA) 56 of 2003, requires that:

(1)The Council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or share control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council:

- a) Has approved the annual report with or without reservations;*
- b) Has rejected the annual report; or*
- c) Has referred the annual report back for revision of those components that can be revised.*

Every attempt has been made to align the submission of this Annual Performance Report with the submission of the Annual Financial Statement for the Office of the Auditor General.

LESSONS LEARNT

Reporting requires that the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, are taken and presented in a simple and accessible format, relevant and useful to the specified target groups for the reader's need in reviewing performance, the existence of too many reporting formats can become both confusing and burdensome to the organisation. The ideal situation is the existence of one reporting format that contains the necessary information for all users, yet remains simple and accessible to all users.

It also apparent that in order for an effective PMS, it is necessary for all stakeholders to be involved in the planning, monitoring and review process. It should be noted that there is a need for the streamlining of oversight activities by the Council and Community through processes specified in a framework to be aligned to other key strategic processes of the organisation.

Furthermore one of the critical factors influencing performance in the value chain and instilling a culture of performance, this would include amongst others – change management and team building techniques, awareness of and practicing of Batho Pele principles and a Code of Ethics.

The leadership and management processes are key to ensuring an outcome driven entity with recognition and acknowledgment systems being implemented. It is therefore deemed appropriate to ensure that performance management is cascaded down to all levels of employees.

For the performance Management process to be efficient, it is necessary for all involve to be aware of the importance and reporting requirements of the PMS process. Subsequently a more formalised manual reporting systems needs to be devised and understood by all before an automated system is implemented to ensure accurate reporting that is aligned to financial reporting processes. This must be followed by effective risk management and internal audit processes to ensure that review mechanisms are implemented timely.

The institutional arrangements within the organisation must be such that it supports the process, this would include sufficient capacity to lead the process and to ensure that compliance issues are administered. The need for each department to also identify performance champions administratively to co-ordinates performance information to support performance managers and leaders is critical for ensuring compliance with reporting requirements. This would include adequate administrative system such as record keeping, consistency with administrative support officials. Furthermore, ongoing awareness and training is necessary to ensure that the entity is up-to-date with all performance related issues and how this integrates into other municipal processes.

The need for improved intergovernmental relations to ensure streamlining of performance based reporting processes is also necessary. This would require that all spheres of government integrate and coordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path. Furthermore, the alignment to the national government Medium Term Strategic Framework and National Priorities is necessary to ensure that all spheres of government are striving towards common goals and targets. It is also deemed appropriate for a common reporting, monitoring and assessment process to be developed and for all spheres of government in respect of specific key interventions/performance areas.

DEVELOPMENT STRATEGY

The development strategy for the Municipality is designed to fit-in and give effect to the intention of both the national and provincial development strategies. This includes at a National Development Plan (Vision 2030) and various government programs. The Municipal IDP also fits within the provincial development framework as set out in the PGDS. The Municipality's strategy covers the following:

- ✚ Strategic fit (alignment with national and provincial development strategies).
- ✚ MLM long-term strategic direction and organizational culture.
- ✚ MLM short-to-medium term strategies and action plans.

ALIGNMENT WITH NATIONAL AND PROVINCIAL STRATEGIES

Strategic Fit: National

The strategic approach is meant to highlight the impact that the municipality seeks to create in the short to long term period. As indicated in the IDP, in addition to Outcome 9, the Municipality will contribute to the attainment of outcomes 2, 4, 6, 8, 10 and 12 with the 5 KPAs as the strategic areas for intervention. As such, the development strategy for the Municipality is designed to address issues that are specific to the Municipality whilst also contributing to the attainment of the National and Provincial Priorities.

LOCAL GOVERNMENT TURN AROUND STRATEGY

In line with the national turnaround strategy, the Municipality also strives to address the turnaround priorities as identified below. The PMS of the municipality caters for the monitoring of targets set against these activities as included in the IDP.

The outcome of meeting these objectives as identified by the Local Government Turnaround Strategy include:

- ✚ The provision of household infrastructure and services;
- ✚ The creation of liveable, integrated and inclusive cities, towns and rural areas;
- ✚ Local economic development; and
- ✚ Community empowerment and distribution

Accordingly the Municipality has prioritised the following as part of the municipal turnaround strategy:

- ✚ Service delivery (maintain existing levels & Rehabilitation of infrastructure and backlogs)
- ✚ Fast Track Sustainable Human Settlements through Housing and Rural Development Program
- ✚ Develop Consolidated Infrastructure Plan and Capital Investment Plan for implementation.
- ✚ Debt Management – increase payment factor;
- ✚ Revenue enhancement;
- ✚ Debt Control;
- ✚ Revenue Collection;
- ✚ Integration and co-ordination (Establishment of Economic Forums);
- ✚ Clean Audit by 2014;
- ✚ Intergovernmental relations;
- ✚ Identify infrastructure that supports economic development;
- ✚ Development of Communication Strategy; and
- ✚ The establishment of the poverty and unemployment eradication strategy by 2015.

LOCAL GOVERNMENT OUTCOME 9

The national government has adopted an Outcomes Based Approach to development as a means to focus government initiatives and manage public expectations. Based on the Medium Term Expenditure Framework (MTEF), Outcome 9 deals with local government and affects the Municipality directly. It moves from a premise that local government is a key part of the reconstruction and development effort in South Africa and that aims of democratizing society and growing the economy inclusively can only be realized through a responsive, accountable, effective and efficient local government system that is part of a development state. The Municipality PMS also supports Outcome 9 and specific KPI's aligned to outputs specified below are included in both the Organisational scorecard and SDBIP's.

The government has identified the following outputs for Outcome 9:

- ✚ Output 1: implement a differentiated approach to municipal financing, planning and support;
- ✚ Output 2: improving access to basic services;
- ✚ Output 3: Implementation of the Community Work Programme;
- ✚ Output 4: Actions supportive of the human settlement outcome;
- ✚ Output 5: Deepen democracy through a refined Ward Committee Model;
- ✚ Output 6: Administrative and financial capability;
- ✚ Output 7: Single window of coordination.

PRIORITY ISSUES AS IDENTIFIED IN THE 4th GENERATION IDP

- ✚ Delivery of human settlements – housing;
- ✚ Upgrading and expansion of existing infrastructure;
- ✚ Poverty and unemployment;
- ✚ Rural development and Urban renewal;
- ✚ Public participation and Governance;
- ✚ Infrastructure Investment Program;
- ✚ Debt collection and management;

VISION

The following vision statement for the Municipality were formulated at a strategic planning session with active participation of both administrative and political components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

By the year 2020, Mkhambathini Local Municipality will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic services, social, economic development.

ORGANISATIONAL SCORECARD 2014/15 ANALYSIS

The above-mentioned strategic priorities as identified in the IDP, cascades into the performance management system of the municipality through the annual organisational

SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP) 2014/15

Performance on the SDBIP's for each of the departments is attached as **Appendix A**, with the assessment being done on the reviewed Actuals against Portfolio of Evidence submitted by department heads. This is still subject to an auditing and verification process. This report is also subject to a formal evaluation process being conducted by the Municipal Manager.

The methodology used for the assessment is based on the rating calculator for the Municipal Manager and managers directly accountable to the Municipal Manager, as well as the Dashboard used by the Auditor-General. The scorecards were reviewed against actuals reported against submission of portfolio of evidence which was also subject to an internal audit process.

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 98 (relevant and applicable) of which targets on the scorecard forms the basis of this assessment.

SERVICE PROVIDER PERFORMANCE REPORT

Section 46 (1) (a) (b) states that "(1) A municipality must prepare for each financial year a performance report reflecting:

- (a) the performance of the municipality and of each external service provider during that financial year;
- (b) a comparison of the performance referred to in paragraph (a) with targets set for and performance in the previous financial year, and
- (c) Measures taken to improve performance.

The municipality have taken strides to ensure compliance with the above quoted legislation however in terms of services provider performance comparison are sometimes not possible due

to the fact that project are completed within the particular financial year. The comparisons however in terms of performance of the municipality has been achieved.

NAME OF SERVICE PROVIDER	CONTRACT END DATE	AMOUNT OF CONTRACT	PERFORMANCE ASSESSMENT				
			1	2	3	4	5
		R					
Akwande Civils		1 986 579.28					
Zulu Construction and General Trading		1 246 516.12					
Sibani Trading cc		1 485 383.06					
PEE4 EEM Construction Projects		2 423 544.11					
Jeambas Enterprise		2 100 856.58					
Nyaniso Contracting and Trading		381 672.5					

Imperial Grown Trading 434 (PTY) Ltd		3 475 583.89					
Golden Empire 58 cc T/A Kadebona		2 168 107.06					
Proz Consultants		2 406 927.60					
Hampson Auto		479 859.94					
Ikhwezi Trading and Projects		3 187 761.08					
Lucky Lips Trading and Projects 45		1 092 723.06					

5 very good, 4 Good, 3 Satisfactorily, 2 unsatisfactorily, 1 Contract Terminated

OVERALL COMMENTS

- ✚ The progress and performance made in respect of meeting organisational and operational targets is commended.
- ✚ Additional monitoring, evaluation and review at a departmental level on at least a monthly basis, is compulsory to encourage adherence to planned programmes especially the capital programmes.
- ✚ Internal co-ordination systems and processes require review to ensure improved co-ordination.
- ✚ Internal Auditing processes should be seen as supportive of and value-adding to the performance management process.
- ✚ Record keeping and document management approaches will determine the quality of the evidence to be submitted for evaluation purposes.
- ✚ Performance management capacity to be increased organisation-wide to improve accountability.

GENERAL RECOMMENDATIONS FOR IMPROVEMENT

- ✚ Performance Management should be a standing item in the Management Committee Meetings;
- ✚ That evidence submitted is signed off by respective Managers in order to ensure that information is valid; reliable and correct.
- ✚ That where applicable, the department communicates with the responsible department to merge certain Key Performance Indicators and provide information corresponding to each other for alignment purposes.
- ✚ That Head of department and responsible managers conduct monthly meetings to monitor compliance with all targets and reporting requirements.
- ✚ That alignment of financial and non-financial performance information be fast tracked and that Financial Services Department support departments in this regard.
- ✚ Regular monitoring and oversight by both the MPAC and Audit Committee required for all targets set.
- ✚ That the Municipal Public Accounts Committee to monitor project to ensure that project are completed timely.
- ✚ That a system be developed to ensure monitoring of all service providers on a quarterly basis.
- ✚ That a baseline study be conducted on basic services to ensure alignment with internal statistics, Stats-SA and other sources.
- ✚ Monthly reporting system should be introduced.
- ✚ Personal Assistant to be trained in terms of collating the evidence.

