



ANNUAL REPORT FOR THE 2018/2019 FINANCIAL YEAR

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CHAPTER ONE: MAYORS FOREWORD AND EXECUTIVE SUMMARY

1.1 MAYORS FOREWORD

I am honored to present the 2018/2019 Annual Report of the Mkhambathini Municipality. Much is still expected by the community from local government and those expectations continue to be our driving force this financial year.

The vision of Mkhambathini Municipality is that *“By 2030 Mkhambathini Municipality will be the KwaZulu Natal's mega-hub for industries, tourism and agriculture along the N3 Corridor which provides for a socially cohesive environment.”*

Considering the vision of the Municipality, we continue to make financial decisions that will bring us closer to the fulfilment of this vision under turbulent circumstance such as a weak economy, political climate, rising costs and often unrealistic service delivery expectations.

Financially the Municipality has performed well in 2018/2019. It improved on its liquidity levels of the previous year and ended the year with a surplus of R26 829 753, excluding non-cash transactions.

Projects undertaken by the Municipality have taken off and some have come to completion to the satisfaction and appreciation of the community. In previous years we have been inundated by people living on farm lands but wanting to access our services, I am proud to say we are making great progress in this area as talks with farm owners have resulted in the building of community halls, houses, water and electricity. We will continue to engage farmers in the interest of serving the people.

The Municipality is tackling with speed the historical challenge of underdevelopment, intermittent maintenance of our infrastructure, the first programme is being implemented and will be finalized at the end of April 2018. To address this backlog Council adopted a maintenance plan with an aim to fast-track the maintenance program.

Of course, there remain the triple challenges of poverty, unemployment and inequality that the Municipality must consider when delivering services and this must be balanced with distributing service quality to all communities within the jurisdiction of our municipality. The Municipality has developed an indigent register with an aim of identifying indigent families so that poor households can be assisted. We continue to excel in the implementation of the Expanded Public Works Program (EPWP).

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. The Council has taken a robust approach in ensuring that all Council Committees remain functional and result driven.

As always, we remain resolute and committed as a Council and its administration in attaining our vision of having a sustainable, developmental municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development.

Cllr Eric. Ngcongo

His Worship the Mayor

MUNICIPAL MANAGERS OVERVIEW

It is my pleasure to share the achievements attained by the municipality during the year under review. The year under review signified a turning point for the municipality in several areas of performance. The Municipality in striving for greater outputs has managed to consolidate and the finalize the Annual Financial Statements we consolidated the Annual Performance Report in house without any assistance from consultants.

It's proved to be a great year with all senior manager's position filled, this has resulted in the tightening up of processes and allowed for proper leadership and guidance of municipal personnel.

There were a number of areas where remarkable achievement was attained. The Technical Services department has a mandate of implementing infrastructure programs and projects of the municipality. This is in line with the basic services and infrastructure investment priorities. The Technical Services Department through the assistance of municipal manager's office was able to turn around the slow delivery and finalization of projects. This was done through continuous engagement with our consultants and contractors, as a result the municipality was able to move from a red status to a green status by end of June 2017 through MIG reporting.

Furthermore, a planning and development shared service model led by uMngeni Municipality have assisted the municipality in the speedy implementation of the Spatial Planning and Land Use Management Act 16 of 2014.

The availability of land for development remains a challenge as most land surrounding the municipality is privately owned and the remainder is in the hands of iNgonyama Trust.

We would like to thank our Council, our community at large for allowing us to work together with them to fulfil the municipal mandate.

Ms. ZM MDLAZI
ACTING MUNICIPAL MANAGER

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

BACKGROUND DATA

Vision

“By 2030 Mkhambathini Municipality will be the KwaZulu Natal's mega-hub for industries, tourism and agriculture along the N3 Corridor which provides for a socially cohesive environment.”

Mission Statement

Mkhambathini Municipality commits itself to the following:

- *Upholding our leadership vision;*
- *Working with integrity in an accountable manner towards the upliftment of the community;*
- *Protecting and enhancing the interest of our clients always*
- *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*

Goals and Objectives

The Mkhambathini Municipality's IDP adopted a long-term planning perspective, but also present a short to medium term strategic agenda and detailed five-year programme commencing in the 2018/2019 financial year ending in 2020/2021 financial year. This period coincides with the term of office of the incumbent council and aligns with the budget cycle.

- *To create of a new town that promotes local economic development.*
- *To prioritize the municipality's catalytic projects which focuses on the wastewater treatment works.*
- *To strengthen intergovernmental relations to ensure the resuscitation of the railway network, accelerating the interchange upgrade programme and augment the water storage facility.*
- *To develop the municipality's public transport network.*
- *To ensure provision of socio-economic infrastructure that provides for a full range of housing types, educational facilities and health facilities.*

MUNICIPAL FUNCTIONS

The Municipality has the functions and powers assigned to it in terms of Section 156 and 229 of the Constitution of the Republic of South Africa. The Municipal Structures Act of 1998 makes provision for the division of powers and functions between the district and local municipalities. It assigns the day to day service delivery functions to the local municipality.

Whilst the Local Municipality is tasked with the day to day delivery, it also coordinates its activities with the district and seeks guidance on issues that affects the delivery of service of a local municipality.

The Municipal functions are indicated below:

- *Building Regulations*
- *Storm Water Management Systems in buildup areas;*
- *Trading Regulations;*
- *Billboards and the display of advertisements in public places;*
- *Cleansing;*
- *Control of public nuisances;*
- *Street lighting;*
- *Traffic and Parking;*
- *Control of undertakings that sells liquor to the public;*
- *Facilities for the accommodation, care and burial of animals;*
- *Fences and fencing;*
- *Licensing and control of undertakings that sell food to the public;*
- *Local amenities;*
- *Local sports facilities;*
- *Municipal parks and recreation;*
- *Noise pollution;*
- *Public places;*
- *Street trading; and Local economic development*

LOCALITY

Mkhambathini Local Municipality is situated along the southern-eastern periphery of uMgungundlovu District Municipality and adjoins Richmond and Msunduzi Local Municipalities to the west, uMshwathi 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 harbor.

DEMOGRAPHICS

In terms of 2011 Census Survey, Mkhambathini Municipality has a total of 63 142 people. Out of this number, statistics show that 30,801 voters were registered as at June 2019 (IEC Statistics).

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

POPULATION BY AGE GROUP

The table below indicates the municipality age profile. It is evident that most of the Mkhambathini Population is in the children's group (between 0-4 years) which is at 7 397 followed by teenage group (between 15-19 years) which is 6 747. The third largest population group is the youth aged 20-24 years, which is at 6 818. The female category indicates the largest group of the population.

Table 1: Population by Gender and Age Group

Population Details				Population '000
	Year -0			
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

The composition of the above population indicates that the youth and females dominate the population group, it is therefore of high importance that the municipality rolls out programs that are aimed at empowering this combination of groups.

The diagram below indicates the highest education levels within Mkhambathini. Most of the people living within the area have a high school education. This is because there are no tertiary facilities for further learning. Poverty is also a big contributor to people not being able to move to bigger cities to access tertiary facilities.

DWELLING TYPE

Table 2: Dwelling Type

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

Source: Stats SA Census 2011

ACCESS TO BASIC SERVICES

WATER

uMgungundlovu District Municipality is the Water Services Authority and the Water Service Provider for the District. They are responsible for the provision of Water and Sanitation Services within the District. The basic Water Services in Mkhambathini is community standpipes within 200m- 800m radius of all households.

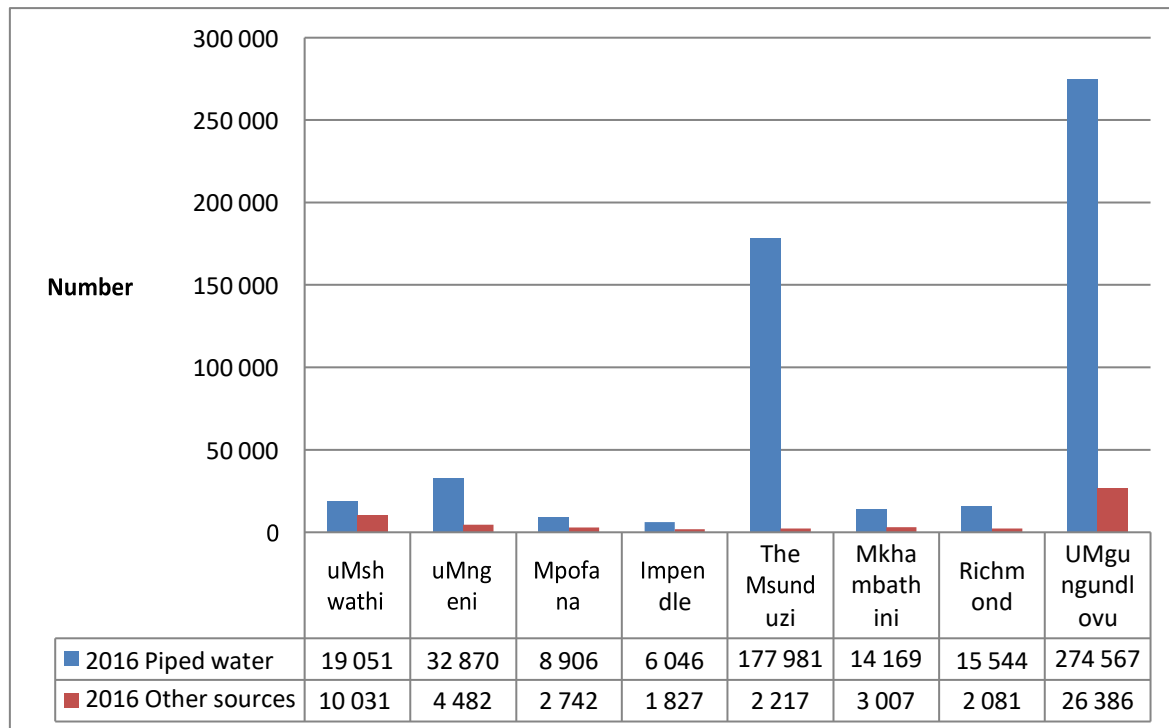
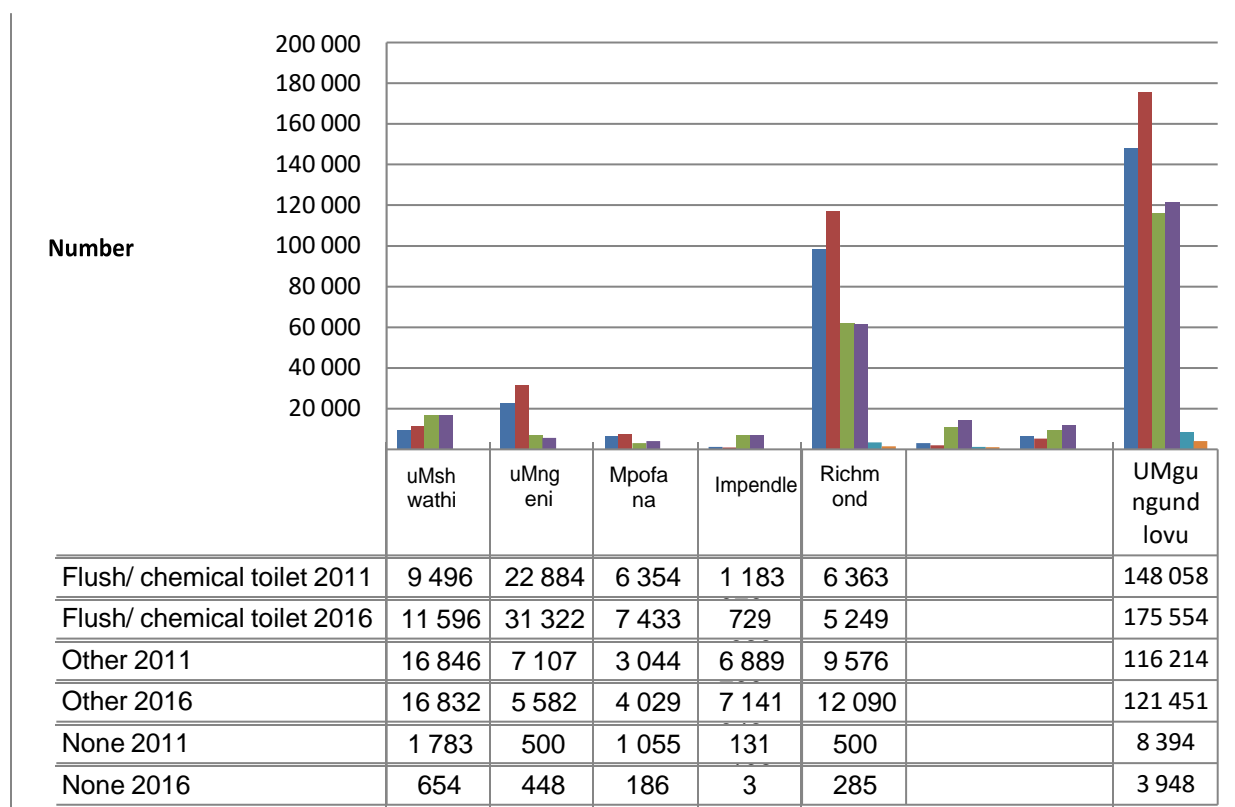


figure 1- Community Survey 2016 - (Stats SA)

SANITATION

As well the sanitation services are provided by uMgungundlovu District Municipality and there are two options: the septic tank system utilized in Camperdown areas and Ventilated Pit Improved Latrines (VIP) in rural areas. The sanitation backlog is estimated at **905** which equates to **14 438** households.

Access to Improved Sanitation 2011-2016 per Local Municipality within uMgungundlovu District



ELECTRICITY

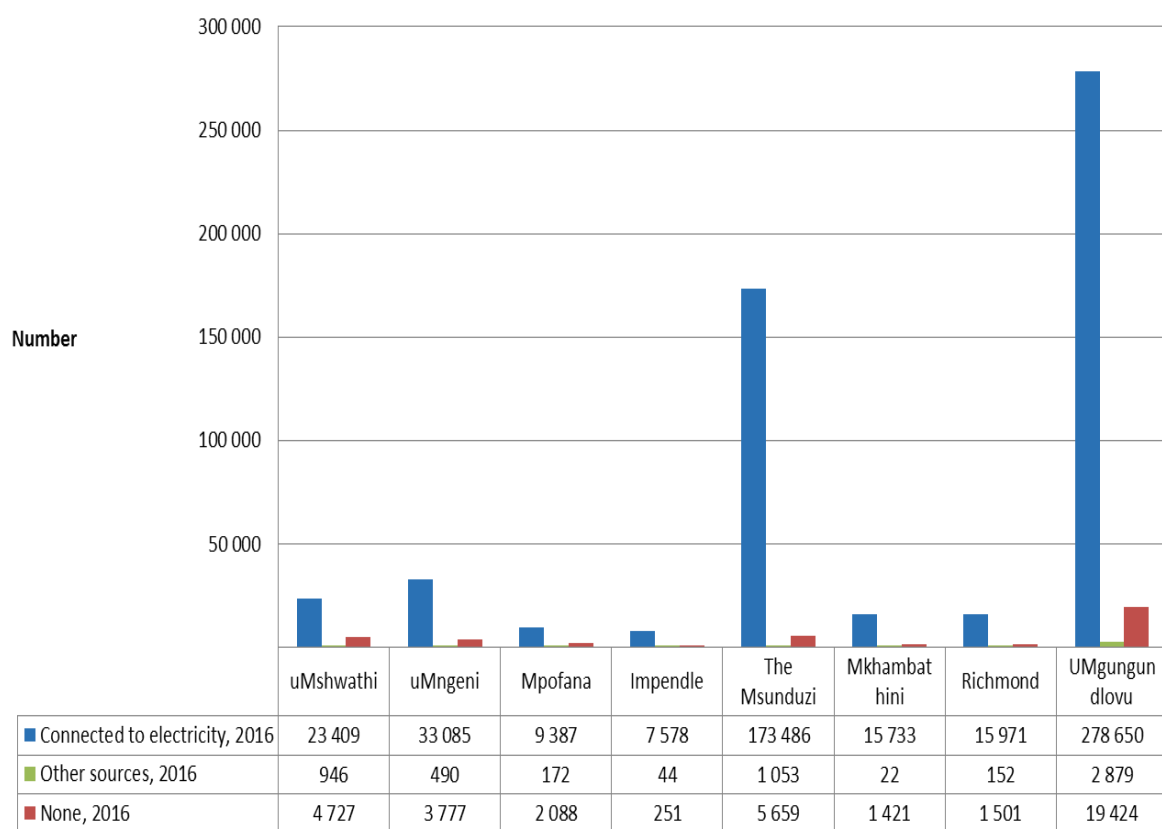
The main supplier of electricity in Mkhambathini is Eskom. However, the project implementation is undertaken by the Municipality through Department of energy funding. Once the infrastructure is completed it is handed over to Eskom who took full ownership of services.

Figure 2: Community Survey (2016) : Electricity

The municipality experience a slight growth in terms of electricity connections between 2011 and 2016. The municipality is in a process of finalizing its own feasibility study to try and fast-track the delivery of electricity.



Connected to Electricity per Local Municipality within uMgungundlovu District



HOUSING

The provision of housing is the mandate of the Provincial Department of Human Settlement (DHS) and the municipality plays an active role in the coordination of the housing development projects by making land available for such development, providing lists of beneficiaries, identifying challenges and resolving them with local stakeholders like ward Committees and Traditional leaders. Disputes over ownership, illegal transfer and occupation, illegal connection of electricity and water in various projects. The Municipality's 2019/2020 IDP identifies the housing demand to be 3000 in Urban areas and 16 000 in rural areas

The below graphs indicate the housing growth from 2011 to 2016. The 2016 estimates are as a result of the Community Survey conducted by Statistics South Africa.

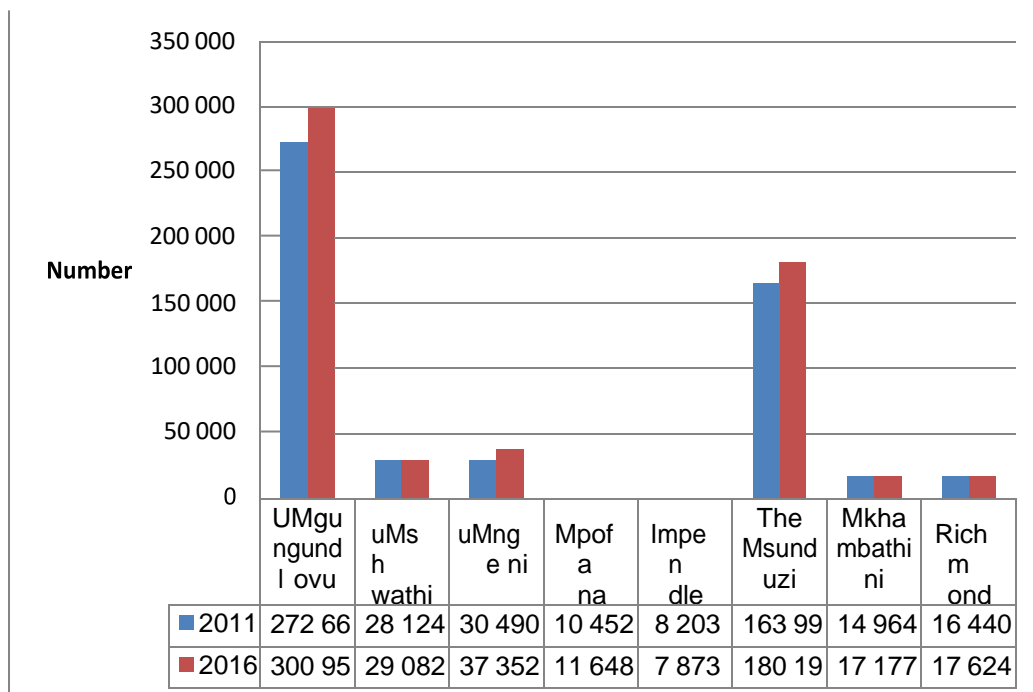


Figure 3 : Community Survey (2016) : Housing



DWELLING TYPE PER LOCAL MUNICIPALITY WITHIN UMGUNGUNDLOVU DISTRICT 2011-2016

TYPE OF DWELLING	UMSHWATHI	UMNGENI	MPOFANA	IMPENDLEL	MKHAMBATHINI	RICHMOND	UMGUNGUNDLOV U
Formal 2011	17637	26040	7959	3616847	7316	8986	192 401
Formal 2016	16369	32365	9392	4740463	11038	12236	230604
Informal 2011	1032	2723	226	15491	464	436	18386
Informal 2016	1797	2985	120	590118	669	1229	22508
Traditional 2011	9255	1347	2165	2551006	6948	6916	58189
Traditional 2016	10900	1527	2081	2508	5469	4092	46215

Figure 4 : Community Survey (2016) Dwelling per Local Municipality

1.3 FINANCIAL HEALTH OVERVIEW

In terms of section 62 of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality. The financial services department has been established to address this responsibility. The financial services department comprises the following sub departments: Expenditure and Assets, Budget, Treasury and Revenue and Supply Chain Management.

Annual Financial Statements:

As per section 122 and 126 of the MFMA, the municipality must for each financial year prepare annual financial statements which must be submitted by the 31 August to the Auditor General.

The annual financial statements for the financial year 2018/2019 was compiled in terms of Generally Recognized Accounting Practice (GRAP) and was submitted to Auditor-General on the 30 August 2019.

Revenue Classified by main Revenue Source

Description	Current Year 2018/2019			
R Thousands	Original Budget '000	Adjusted Budget '000	Full Year Forecast '000	Audited '000
Revenue by Source				
Property rates	14 272	14 272	14 272	14 292
Service charges - electricity revenue	–	–	–	–
Service charges - refuse revenue	562	562	562	526
Rental of facilities and equipment	–	–	–	–
Interest earned - external investments	3 016	3 216	3 216	4 539
Interest earned - outstanding debtors	1 285	1708	1708	3 748
Fines, penalties and forfeits	–	–	–	27
Licences and permits	5 331	6 397	6 397	4 909
Commission received	–	–	–	1 553
Transfers and subsidies	68 167	60 217	60 217	60 609
Other revenue	943	945	945	776
Gains on disposal of PPE	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	93 576	87 317	87 317	90 979

Table 3- Revenue Classified by Main Revenue

Operating Ratios

OPERATING RATIOS	
Employee Cost	48%
Repairs and Maintenance	9%
Finance Charges and Impairments	3%

Table 4- Operating Ratios

CAPITAL EXPENDITURE

TOTAL CAPITAL EXPENDITURE 2018/2019			
	2018/2019	Year -1	Year -0
Original Budget	19 285 000	20 976 000	20 387 000
Adjustment Budget	28 369 825	0	0
Actual	26 290 430	20 976 000	20 387 000

1.4 ORGANISATIONAL DEVELOPMENT OVERVIEW AND ORGANISATIONAL PERFORMANCE

After having gone through the policy reviews and adopted them in the previous financial year, we are operating smoothly as an organization. All policies are up to date and functioning.

Several training initiatives were undertaken for both internal staff and local youth. This took place within the year under review and some of the training programs will be rolled over in the next financial year.

1.5 AUDITOR GENERAL'S REPORT

The municipality obtained an unqualified audit opinion with emphasis of matters. The full report of the Auditor General is detailed under chapter 5 of this Annual Report.

Audit Opinions over the past 3 years

Financial Year	Audit Opinion
2016/2017	Unqualified
2017/2018	Unqualified
2018/2019	Unqualified

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL ADMINISTRATIVE 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 2018/2019. 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

2.1. POLITICAL GOVERNANCE

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

MAYOR	DEPUTY MAYOR	SPEAKER	EXCO MEMBER
			
Cllr E. Ngongo (ANC)	Cllr L. Lembethe (ANC)	Cllr T. Gwala (ANC)	Cllr. R. Mofokeng (IFP)

			
Cllr N. Zondo (ANC)	Cllr S Ngidi (ANC)	Cllr N. Maphanga (ANC)	Cllr N. Lembethe (ANC)
			
Cllr M. Shandu (ANC)	Cllr N. Ntombela (ANC)	Cllr M. Ntuli (IFP)	Cllr M. Mkhize (IFP)
			
Cllr Z. Mbambo (EFF)	Cllr Z. Phungula (DA)		

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.

The following tabled reflects the number of meeting each EXCO member attended for the period under review

MEMBER	NUMBER OF MEETINGS PLANNED	NUMBER OF MEETINGS ATTENDED 2017/2018
Cllr E. Ngongo	10	10
Cllr L. Lembethe	10	10
Cllr R. Mofokeng	10	10
Cllr T. Gwala Ex Officio	10	10

COUNCIL 1 JULY 2018 TO 30 JUNE 2019

In terms of Section 152 of the Constitution, the Council has convened to ensure the adoption of the IDP/Budget and Performance Management System Process. The IDP, Budget, Organizational Scorecard, SDBIP, Performance Management related reports and other service delivery related deliberations. It should be noted that 10 meeting were planned for the period under review and 2 special council meetings were called. Cllr Wensley resigned from office with effect from 31 August 2018 and was replaced by Cllr Phungula who was sworn in during the council meeting held on October 2018. Inkosi Majozi was introduced to Council in June 2019 as the new traditional leader to sit at Mkhambathini Municipality replacing Inkosi Mkhize.

MEMBER	NUMBER OF MEETINGS PLANNED FOR 2018/2019	NUMBER OF MEETINGS ATTENDED 2018/2019
Cllr Ngcongo E. (Mayor)	10	11
Cllr Lembethe L. Z. (Deputy Mayor)	10	12
Cllr Gwala T. A (Speaker)	10	11
Cllr Mofokeng K. R. (Exco Member)	10	12
Cllr Zondo N.	10	11
Cllr Ngidi S.	10	10
Cllr Maphanga P. N.	10	12
Cllr Lembethe R. N.	10	12
Cllr Shandu M. R.	10	12
Cllr Ntombela N. W.	10	12
Cllr Ntuli M. R.	10	10
Cllr Mkhize R. B	10	12
Cllr Phungula M.	8	9
Cllr Wensley M.	2	1
Cllr Mbambo Z. F.	10	10
iNkozi S.E. Mdluli	10	3
iNkosi L.D. Mkhize	9	0
iNkosi P Majozi	1	1

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-coordinated efforts to ensure its functionality.

MEMBER	NUMBER OF MEETINGS PLANNED FOR 2018/2019	NUMBER OF MEETINGS ATTENDED 2018/2019
Cllr Lembethe R.N. (Chairperson)	4	4
Cllr Zondo N.	4	3
Cllr Mkhize R.B.	4	4
Cllr Phungula N.E.	4	4
Cllr Mbambo Z.	4	2
Cllr Shandu M.	4	3
Cllr Ngidi S.	4	4

Mkhambathini is a category B Municipality in terms of the Structures Act, comprising of 7 wards. The following is the demographic figures of Party Representative in the Council,

POLITICAL PARTY	NUMBER OF WARD COUNCILLORS	NUMBER OF REPRESENTATIVE COUNCILLORS	NUMBER OF SEATS IN COUNCIL
African National Congress ANC	7	2	9
Inkatha Freedom Party (IFP)	0	3	3
Economic Freedom Fighters (EFF)	0	1	1
Democratic Alliance (DA)	0	1	1
Total	7	7	14

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

POLITICAL PARTY	ALLOCATION OF SEATS	GENDER DISTRIBUTION	
		MALE	FEMALE
African National Congress (ANC)	9	7	2
Democratic Alliance (DA)	1	1	0
Inkatha Freedom Party (IFP)	3	1	2
Economic Freedom Fighters (EFF)	1	0	1
TOTAL	14	10	4


There are 3 portfolio committees appointed by Council. These committees are aligning to the functions of various departments of the Municipality;

PORTFOLIO COMMITTEE	RESPONSIBLE OFFICIAL	STATUS OF PORTFOLIO
Finance Portfolio	Chief Financial Officer	Functional
Community and Corporate Services Portfolio	Manager Community Services and Manager Admin and Corporate Services	Functional
Infrastructure Portfolio	Technical Services Manager	Functional

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

- Local Labour Forum;
- Integrated Development Plan Representative Forum;
- Audit Committee;
- Risk Management Committee;
- Information, Communication Technology Committee;
- Budget Steering Committee;
- Budget Steering and Interim Finance Committee

2.2 ADMINISTRATIVE GOVERNANCE

	DESIGNATION	FUNCTIONS
	Mrs. T C Ndlela Municipal Manager (RESIGNED DURING THE YEAR, LAST DAY WAS 28 FEBRUARY 2019)	<p>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. The Municipal Manager resigned from her position with her last day being 28 February 2019. In discharging her responsibilities in the 2018/19 financial year, the Municipal Manager was assisted by the Management Team.</p>
	Mr. Sanele Mngwengwe Chief Financial Officer	<p>The Chief Financial Officer is responsible for managing the financial affairs of the Municipality. The Department is responsible for Expenditure Management, Assets, Budgeting, Revenue Management and Supply Chain Management.</p>

	<p>Miss. Nonhlanhla Mkhize Executive Manager: Community Services</p>	<p>The Community Services Manager is responsible for the management of several sub-units within the Department namely, HIV/AIDS Unit, Disaster management Unit, Local Economic Development and Tourism Unit, Youth and Sports Development unit, Motor and Driver Licensing Unit and the Community Liaison Unit.</p>
	<p>Mr. Sonwabile Mkhize Executive Manager: Technical Services</p>	<p>The Technical Services Section is entrusted with ensuring that basic services are delivery to the community. This Department consist of unity namely, Planning and Development Unit, Infrastructure Maintenance Unit, Housing Unit and Project Management Unit.</p>
	<p>Ms. Zibuyile Mdlazi Executive Manager: Admin and Corporate Services <i>(Acting Municipal Manager from 01 March 2019 to 30 June 2019)</i></p>	<p>The Admin and Corporate Services section is made of several units namely, Council Support Human Resources Unit, Library Services, Registry Management, ICT, and Security Services Unit. The department is a support unit for all municipality departments.</p>

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO 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.

2.3 INTERGOVERNMENTAL RELATIONS

PROVINCIAL INTERGOVERNMENTAL RELATIONS

The Municipality engaged with and received support from several government departments and organizations. The Provincial Department of Cooperative Governance and Traditional Affairs (CoGTA) worked closely with the performance management unit to support the implementation of Organizational Performance Management and the IDP through the District Technical Advisory Committee (DTAC). The Provincial Treasury continued to support the financial services department on issues relating to Supply Chain Management and day to day financial management.

The Mayor and the Municipal Manager continuously participated in the MUNIMEC.

DISTRICT INTERGOVERNMENTAL RELATIONS

uMgungundlovu District IGR Structures are in existence and functional. The IGR Structures are chaired by respective Municipal Managers as follows:

Table 5- Intergovernmental Relations Structure

CLUSTER	CHAIRPERSON
Mayors Forum	District Mayor
Municipal Managers Forum	District Municipal Manager
Technical and Infrastructure Cluster	Msunduzi Municipal Manager
Finance Cluster	Mpofana Municipal Manager
Corporate Governance	Mkhambathini Municipal Manager
GITOC	Impendle Municipal Manager
Community and Social Development Cluster (Special Programmes)	UMshwathi Municipal Manager
Corporate and Social Services	Richmond Municipal Manager
Planning and Development Cluster	uMngeni Municipal Manager

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

During 2018/2019 financial year, the municipality had 7 functional ward committees which serve as a conduit between the municipality and the community. Over and above the existence and functioning of ward committees the Municipality publish its Service Delivery and Budget Implementation Plan on a quarterly basis on the municipal website. This seeks to ensure that the public is continuously informed on the achievement of set goals and targets.

The Municipality is still circulating a client satisfaction questionnaire to all municipal wards and to its rates payers. This initiative gives the community a platform to raise their needs as well as their suggestions to the municipality. Mayoral imbizos were the vehicle in communicating progress on what has been promised by the Council during its budget road shows.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The IDP, PMS and Budget process plan for 2018/2019 financial year was approved by Council in August 2017. After the approval of the IDP, PMS and Budget process plan 2018/19 financial year, a public notice was posted on the municipal website. The process plan reflected the different activities and milestones in terms of the IDP, review, PMS and Budget implementation and monitoring.

During IDP review process a draft IDP was made available for public comments and placed on strategic areas within the municipal area of jurisdiction, for members of the public to commend and make meaningful suggestions.

WARD COMMITTEE STRUCTURES

Ward1: Cllr N. Zondo

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF REPORTS SUBMITTED
16	12	90

Ward2: Cllr S. Ngidi

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF REPORTS SUBMITTED
18	15	90

Ward3: Cllr P. N Maphanga

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF REPORTS SUBMITTED
16	15	90

Ward4: Cllr T.A Gwala

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF REPORTS SUBMITTED
12	10	90

Ward5: Cllr R.N Lembethe

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF REPORTS SUBMITTED
10	10	90

Ward 6: Cllr E. Ngcongco

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF SECTORAL REPORTS SUBMITTED
09	10	90

Ward 7: Cllr M. Shandu

NO OF WARD COMMITTEE MEETINGS	NO OF COMMUNITY MEETINGS	NO OF SECTORAL REPORTS SUBMITTED
18	10	90

2.5 IDP PARTICIPATION AND ALIGNMENT*Table 7- IDP Participation and Alignment*

IDP PARTICIPATION AND ALIGNMENT CRITERIA	YES/NO
Does the Municipality have impact, outcome, input, output indicator	YES
Does the IDP have priorities, objectives, KPIs, development strategies?	YES
Does the IDP have multi-year targets?	YES
Are the above aligned and can they calculate into a score?	YES
Does the budget align directly to the KPI's in the strategic plan?	YES
Do the IDP KPIs align to the Section 57 Managers?	YES
Does the IDP KPI lead to functional area KPI's as per the SDBIP?	YES
Does the IDP KPI's align with the provincial KPI's on the 2 Outcomes?	YES
Were the indicators communicated to the public?	YES
Were the four quarter aligned reports submitted within stipulated time frames?	YES
Section 26 of the Municipal Systems Act 2000	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF 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 organizations. In this way, corporate decision-making strategies integrate the principle of good governance and ensure that public interests and employees are considered.

Mkhambathini Corporate Governance entails risk management, anti-corruption and fraud risk management, supply chain management, performance management and internal audit which is unpacked below.

2.6 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 2015/16 with the assistance of Internal Audit Activity. A risk register was compiled and approved by the Audit and Performance Management Committee.

Section 105 of the MFMA also assigns extensive and similar responsibilities to other officials within the municipality and their respective directorates including to ensure 'the effective, efficient, economical and transparent use of a financial and other resources within that official's areas of responsibility' and "the management, including the safeguarding, of the assets and management of liabilities, within that official's area of responsibility".

The top five (5) risks identified and plan to address them within Mkhambathini Municipality are:

RISK	ACTION TO ADDRESS THE IDENTIFIED RISK
Inability to attract Investments;	The Municipality is working closely with uMgungundlovu Development Agency to attract investment.
Inability to attract and retain skills personnel;	Staff Retention Policy has been approved by Council and currently being implemented.
High Number of indigent families;	The Community Services Department is working closely with SMME and Co-operatives Rolling out of RASET through the District Municipality
High Number of unemployed Youth;	The Municipality has included the youth in its Skills Development Plan

Inability to maintain municipal infrastructure;	A maintenance Plan was approved by Council and is continuously Implemented.
Inability to secure own land.	The Municipality is utilizing the Ingonyama Trust Land to fast-Track Service Delivery.

Council took a resolution that Senior Managers take responsibilities of Risk Management Committee, for the committee to add more value the municipality is planning to appoint an external Chairperson who will have an independent view on the process. The Committee is functional and report to the Audit and Performance Management Committee on a quarterly basis.

2.7 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 always fulfil our commitment 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.

2.8 SUPPLY CHAIN MANAGEMENT

The Municipality has a Supply Chain Management Unit falls within the Finance Department. The unit is responsible for ensuring that the goods and services are procured in a manner which is transparent, competitive, equitable, cost effective and fair, through proper implementation of the SCM policy which is reviewed on a regular basis.

The unit responds to the authorized purchase requisitions for other departments within the municipality using the electronic accounting system called Pastel Evolution. The speedy response to the authorized purchase requisitions where possible is always ensured.

The municipality is striving to empower local businesses and cooperatives to improve our Local Economic Development. The suppliers are rotated in terms of the National Treasury regulations to ensure that everyone is getting equal chance however there are challenges since most of our local businesses are not well established and therefore cannot supply or provide certain goods or services.

2.9 WEBSITE

Table 8- Municipal Website: Content and Currency of material

DOCUMENT PUBLISHED ON THE MUNICIPALITY'S/ENTITY WEBSITE	YES/NO	PUBLISHING DATE
Current Annual and Adjustment Budget and all budget-related documents	Yes	2019
All current budget related policies	Yes	2019
The previous Annual Report (Year – 1)	Yes	2019
Annual Report (Year 0) published/to be published	Yes	2019
All current performance agreements required in terms of Section 57 (1) (b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	2019
All service delivery agreements (Year 0)	N/A	
All long-term borrowing contracts (Year 0)	N/A	
All supply Chain Management Contracts above a prescribed value (R30 000.00) for Year 0	Yes	2019
An information statement containing a list of assets over a prescribed value that have been disposed on in terms of Section 14 (2) or (4) during Year 1	Yes	2019
Contracts agreed in Year 0 to which subsection 91) of section 33 apply, subject to subsection (3) of that section	N/A	N/A
Public-Private agreement referred to in Section 120 made in Year 0	N/A	N/A
All quarterly reports tabled in the council in terms of Section 52 (d) during Year 0	Yes	2019

CHAPTER THREE:

SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION

INTRODUCTION TO WATER PROVISION

Communities such as KwaNovuka in Natal, South Africa, are desperately in need of water services. Traditionally, these communities have depended on small springs for water but, with the burgeoning population and the need to share the water with livestock, supply has become both inadequate and prone to water-borne disease.

Aurecon was appointed by the uMgungundlovu District Municipality for the preparation of the business plan to access funding and for the design and site supervision of the KwaNovuka rural water supply project.

The project has two phases: Phase A, and B. Phase A will serve 549 households in the KwaNovuka community. The value of Phase A is estimated at R17 million and some:

- concrete reservoirs (2 x 300 kl and 1 x 180 kl)
- borehole pump-stations, supplying a total of approximately 296 kl/day
- A package water treatment plant
- Almost 60 km of pipeline, including HDPE, uPVC and Klambon piping.

The Phase B construction contract will supply bulk water to a 500 household Department of Housing Settlements development.

The design and planning of the KwaNovuka project were made more complex by the need to allow for integrating the project into a larger regional water supply scheme, currently being designed by other consultants. For example, the rising main has been designed to allow the pipeline to be used in the future as a gravity pipeline. This change will be implemented once the regional scheme has been completed and tied into the overall KwaNovuka supply network.

An important feature of this project is that it has been utilized to capacitate members of the local community and contribute towards skills development in the area. To this end, two candidates selected from the community have received in-service training on the Phase A project, with a further two persons to receive in-service training on the Phase B project. In addition, members of the community employed on the project have received on-the-job training under the supervision of the main contractor.



3.2 ELECTRICITY

INTRODUCTION TO ELECTRICITY

In 2018/2019, the Mkhambathini Municipality implemented phase 2 of the electrification project in Ward 1, Maqongqo and phase 1 at Njobokazi (Ward 4) Electrification. The Maqongqo phase project 2 has 260 households while Njobokazi (Ward 4) Electrification Phase 1 had 300 connections.

- The project is funded by the Department of Energy and is part of Mkhambathini Municipality electrification Programme. The power supply Authority is Eskom, KZN under Eskom Inchanga Customer Network Centre.
- BTMN Engineers (Pty) Ltd were appointed by Mkhambathini Local Municipality as Consulting Engineers to design and manage the implementation of the project on turnkey basis for Maqongqo Electrification.
- Siyathemba Electrical (Pty) Ltd was appointed by Mkhambathini Local Municipality as Consulting Engineers to design and manage the implementation of the project on turnkey basis for Njobokazi (Ward 4) Electrification.
- The overall project progress for Maqongqo Phase 2 is 95% and Njobokazi (Ward 4) Electrification with 95% on dry connections.

Project Challenges:

- The amount of illegal connection poses serious hazards to the staff on site.
- Customers are already converting new infrastructure onto illegal connections to avoid purchasing electricity.
- New customers who have been using illegal connections are refusing to have illegal connections dismantled as per Eskom's requirements.

- The area had political violence in the past. Some houses were left vacant and some were demolished when this project was designed hence were not part of the original scope. Some are now returning to the area and are demanding to be included in the project.

3.3 WASTE MANAGEMENT (THIS SECTION INCLUDES: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLANTING AND RECYCLING.

Employees: Solid Waste Management Services					
	Year -1	Year 0			
Job Level	Employee No	Post No	Employee No	Vacancies	Vacancies (as a % of total post
0-3	N/A	N/A	N/A	N/A	N/A
4-6	N/A	N/A	N/A	N/A	N/A
7-9	1	1	1	0	0%
10-12	7	7	7	0	0%
13-15	N/A	N/A	N/A	N/A	N/A
16-18	N/A	N/A	N/A	N/A	N/A
19-20	N/A	N/A	N/A	N/A	N/A
Total	8	8	8	0	0%

3.4. HOUSING

INTRODUCTION TO HOUSING

Mkhambathini is made from vast rural area and the tool used to the housing delivery is Rural Housing Subsidy which is only applicable to Ingonyama Trust Board Land. The Municipality entered into a Land Availability Agreement for Housing Development. The municipality has adopted its Land Use Management System which seeks to transform the rural housing project into a sustainable human settlement. The relationship between the Municipal and the Traditional Leadership is a cornerstone to ensure that the housing delivery becomes a success.

Percentage of Households with access to basic housing			
Year end	Total Households (including informal and formal settlements)	Households in formal settlements	Percentage of HHs in formal Settlement.
Year -3	13463	455	3%
Year -2	14963	455	3%
Year -1	14963	386	2.5%
Year -0	15860	386	2.4%

Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts) %
0-3	1	1	1	1	0%
4-6	N/A	N/A	N/A	N/A	N/A
7-9	N/A	N/A	N/A	N/A	N/A
10-12	N/A	N/A	N/A	N/A	N/A
13-15	N/A	N/A	N/A	N/A	N/A
16-18	N/A	N/A	N/A	N/A	N/A
19-20	N/A	N/A	N/A	N/A	N/A
Total	1	1	1	1	0%

Capital Expenditure Year 0: Housing Services					
R'000					
	Year -1	Year 0			
	Budget	Adjusted Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All					
Project A Mbambangalo	R123632115.00	R134208710.50	R134208 710.50	R10 576 595.50	R134 208 710.50
Project B Maqongqo	R30 509 015.00	R2 610 581.55	R39 163 559.98	R12 101 566.55	R42 610 581.55
Project C KwaNjobokazi	R33828561.07	R37767370.19	R16190588.82	R3938809.12	R37767370.19
Project D KwaMahleka	R35871530.00	R42206903.88	R32951899.44	R6337353.88	R42208903.88

3.5. FREE BASIC SERVICES AND INDIGENT SUPPORT

The provision of free basic social services by local government is part of the broader social agenda and anti-poverty strategy of the South African government. Government at all levels has a constitutional obligation to take measures towards the realisation of the social and economic rights of all people as contained in the Bill of Rights. These rights include, inter alia health care, water, education, housing, food, social security and the environment. (Mkhambathini Municipality Indigent register, 2018).

The Mkhambathini Municipality has developed the Indigent policy which informs the Municipality's indigent register in line with government legislative framework. The policy covers all rural and urban areas under the jurisdiction of Mkhambathini municipality in KwaZulu-Natal, where indigent members of the community have been identified and registered. The social package stipulated in the policy is as follows: free basic electricity (FBE), Social relief packs upon death or disaster in the family and pauper burials for unknown deceased.

To receive these free services, the households are required to register in terms of the Municipality's Indigent Policy.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

COMPONENT B: ROAD TRANSPORT

3.7 ROADS INTRODUCTION TO ROADS

Gravel Road Infrastructure					Kilometers
Total Gravel Roads	Total Gravel Roads	New Gravel Road Constructed	Gravel Road Upgraded to Tar	Gravel Road Re-Graveled. And Maintained	
Year -1	7.2km	5km	0km	2.2km	
Year-0					

The Municipal road projects were identified during the Mayoral Izimbizo' s wherein they were prioritized and included in the IDP as a planning tool. The Municipality as part of its initiative to fast-track service delivery the roads were designed and where included in the MIG as commitment for the three (3) year cycle. The Municipality was able to finalize all the roads that were prioritized within the stipulated time frame. The Municipality has appointed a service provider who will source funding to FastTrack service delivery which will reduce the municipal backlog with a bigger margin. The municipal road projects implemented during the financial year are as follows:

Name of Project	Number of Kilometers	Maintenance/ Construction	Project amount
Mdala Access Road	2.5km	New road	R 3 922 170.45
Mkhishwa Access Road	2.5km	New road	R 3 444 582.35
Mdakeni Access Road	1.2km	Maintenance	R 1 228 846.60
Mthayi Access Road	1.0km	Maintenance	R 920 906.09

Road infrastructure staff

Employees: Road Services					
	Year -1	Year 0			
Job Level	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts) %
0-3	14	14	14	0	0
4-6	0	0	0	0	
7-9	2	2	0	0	0
10-12	1	2	1	1	
13-15	1	2	1	1	
16-18	0	0	0	0	0
19-20	0	0	0	0	0
Total	18	20	18	10	2

Cost of Construction / Maintenance						
						R 9 516 505.49
	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
Year -2 2017/2018	0km	0	0km	0	0	0
Year -1 2018/2019	5km	0	2.2km	0	0	
Year -0 2019/2020						

Financial Performance Year 0 : Road Services					
					R2 149 753.50
Details	Year – 1	Year 0			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:	0	0	0	0	0
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	R2 149 753.50	R2 149 753.50	0
Other	0	0	0	0	0
Total Operational Expenditure	0	0	0	0	0
Net Operational Expenditure	0	0	R	R	0

Capital Expenditure Year 0: Road Services					
					R'000
	Year- 1	Year – 0 (2018/2019)			
Capital Projects	Budget	Adjusted Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All	19 301	R29 920	R29 920	0	R29 920

COMMENT ON THE PERFORMANCE OF TRANSPORT OVERAL

The Municipality is not responsible for public transport. The community relies on private mini-bus taxis and privately owned bus services.

3.7. WASTEWATER (STORM WATER DRAINAGE)

INTRODUCTION TO STORM WATER DRAINAGE

The road infrastructure does not have a formal storm water drainage except near paved roads which is serviced by the Department of Transport.

COMPONENT C: PLANNING AND DEVELOPMENT

INTRODUCTION TO PLANNING AND DEVELOPMENT

The main objective of town planning is to provide local development and encourage public participation to the members of the communities. The main key performance areas to review the Spatial Development Framework as required by the Municipal Systems Act and to extend the town planning scheme to the areas that were previously not covered by the town planning scheme. The town planning section process all development application and enforce town planning scheme as required by the KwaZulu-Natal Planning and Development Act.



3.8. PLANNING AND DEVELOPMENT

The municipality is approximately 90% rural with not formalized town and very little economic activities.

- The Municipality owns at least 10 plots of land, with the INgonyama Trust Land owning at least 70% and 20% is privately owned.

Application for Land Use Development						
Details	Formalization of Township		Rezoning		Building Environment	
	Year 1	Year -0	Year 1	Year 0	Year 1	Year 0
Planning application Received	0	1	1		38	0
Determination made in year of receipt	0	0	0	0	2	0
Determination made in the following Year	0	0	0	0	0	0
Application withdrawn	0	0	0	0	0	0
Application outstanding at year end	0	1	1	0	0	0

- A large portion of the population lives in poverty and is dependent on social grants.
- The municipality is in a process to revise its Local Economic Development Strategy with an aim to unlock and attract investment to the area.

The municipality is ensuring that the bylaws are enforced. Furthermore, the municipality has adopted an indigent policy which seeks to ensure that the municipality provides free basic services across.

COMMENTS ON THE PERFORMANCE OF PLANNING AND DEVELOPMENT SERVICES

EMPLOYEES: PLANNING SERVICES					
	Year - 1	Year 0			
Job Level	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts) %
13-15	1	1	1	0	0%
Total	1	1	1	0	0%

The Municipality is finalizing its review of the Spatial Development Framework (SDF) in collaboration with uMgungundlovu District Municipality and the Department of Cooperative Governance and Traditional Affairs. The municipal SDF was finalized and approved by Council by 31st December 2018. The Spatial Development outlines several projects seeking to transform the Spatial arrangement and the need to implement within the five-year cycle of the IDP.

3.9. LOCAL ECONOMIC DEVELOPMENT (LED)

The Local Economic Business Unit continues to implement the Local Economic Strategy that was adopted by Council in November 2018. The key strategic areas within this unit are as follows:

- Agriculture (focusing on Agri Parks)
- Tourism Development
- SMME and Cooperatives Development.

This report will detail the achievement, challenges and plans going forward in relation to the three focal point mentioned above. The status update for the year under review follows:

ACHIEVEMENTS RECORDED IN THE YEAR UNDER REVIEW

3.9.1 ARTS AND CULTURE

3.9.1.1 REED DANCE

- Three traditional authorities within the municipality currently run activities related to virginity testing. These are Maphulo Traditional Council in ward 1, KwaNyavu Traditional Council in ward 2 and Embodiment Traditional Council in ward 7. These Councils have over 200 maidens that are part of their programmes. In preparation for the Reed Dance 2018 event that was to take place at Enyokeni, in KwaNongoma, the Mkhambathini municipality assisted the three traditional Council with implementation of the activation events through provision for transport to participate in the District events as well as requested groceries to cater for their local activation events.
- As part of that the municipality fully supports the programme since this form part of our Arts and Culture functions, the LED unit accompanied the maidens and their matrons to the 2018 Reed Dance Event in KwaNongoma. Three busses shuttled the Maidens from our Municipality (one bus per Traditional Council) to the event that took place on 7-9 September 2018, the Department of Arts and Culture sponsored one bus and the Mkhambathini Municipality sponsored two buses. As such 180 maidens and 6 matrons attended.
- In terms of future, the municipality is in the process of collaborating with the traditional councils to ensure implementation of a life skills programme (Ikusasa lakho life skills programme under the HIV/AIDS Unit) with the maidens.

3.9.1.2 ARTS AND CULTURE COMPETITIONS

In the quest to developing and reviving the Arts and Culture activities and search for talent within the municipality, the Mkhambathini Municipality introduced the Arts and Culture Festival Competitions which run for a period of two years. In the first year, the competitions are run at ward level to identify the wards' best performers in the following genres: Maskandi, Ingoma, Poetry, Isigekle, Umhlalaphansi, Shiyameni and Gospel. In line with this, the Municipality in partnership with the ward Councilors hosted the Mkhambathini arts and culture competitions for 2018. This was competition between all wards to award the best performers of Mkhambathini Municipality. The competitions took place in Mid-Illovo ward 6 and Mpekula in ward 7 on 27 and 28 October 2018. The event was a great success and a magnificent display of talent from all wards.

The biggest challenge in relation to this programme has been the dissemination of the rewards as some winners delayed submission of the required documents, however the municipality has worked on a strategy to resolve these challenges.

3.9.1.3 ARTISTS DEVELOPMENT TRAINING/ WORKSHOP

As part of the artist support programme, the municipality has an Arts and Culture Council that coordinates and promotes the implementation of all arts and culture programmes within all wards of Mkhambathini Municipality. The municipality further assisted various artists with transport to various competitions, exhibitions and events outside of the municipality.

3.9.1.4 CRAFTERS SUPPORT PROGRAMME

In the financial year under review, the municipality conducted a 'two days' crafters training workshop that took place on 08 and 09 November 2018 at Dukes Hall.

The training focused on quality assurance management with the aim of ensuring that they make sales from the work that they do. The training was fully funded by Department of Arts and culture and was facilitated by Woza Moya. All 7 wards were represented from bead work, craft, house plans, furniture, dressmaking, fashion design, fabric African jewellery. A total of 18 crafters attended the training.

Furthermore, the Mkhambathini Municipality supported 7 crafters from various wards with transport to exhibitions and trainings. Over and above this, 10 crafters were further supported to participate in the municipality's first annual "Mkhamba Fair" entrepreneurs' market.

3.9.1.5. SMMES AND COOPRATIVES TRAINING AND DEVELOPMENT

The Mkhambathini municipality conducted an SMME training in Between January and February 2019 with the focus on business startups and development and was facilitated by the Durban University of Technology. A total of 189 participants from different Cooperatives.

The second training was Mkhambathini Cooperatives Financial Management Training held at Dukes Hall on 13 November 2018. A total of 18 participants attended from various cooperatives.

On 03 April 2019 the municipality conducted and SMME and Cooperatives working session with the intention of advising them on what funding is available and how they could access that. This session was facilitated by a consultant contracted by the Department of Trade and Industry.

3.9.2 ANNUAL MKHAMBFA FAIR

The Mkhambathini Municipality successfully held its second "Mkhamba fair" exhibition (market) on the 31st of March 2019. The market is aimed at providing a platform for up and coming entrepreneurs to showcase their products and services ranging from food, fashion, arts & crafts, homeware and the likes. 30 exhibitors were present at the fair and attendance by potential buyers was impressive.

Job Created through EPWP Projects		
Details	EPWP Projects No.	Job Created through EPWP projects No.
Year – 2	2	81
Year -1	4	121
Year -0	5	136

Employees: Local Economic Development Services					
Year 1				Year 0	
Job Level	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts) %
0-3	-	-	-	-	0%
4-6	-	-	-	-	0%
7-9	-	-	-	-	0%
10-12	--	-	-	-	0%
13-15	1	2	1	1	50%
16-18	-	-	-	-	0%
19-20	--	-	-	-	0%
Total	1	2	1	1	50%

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

This Community and Social Services includes: Community Halls, Cemeteries and Crematoria and childcare facilities and Sport Facilities

3.10.1 COMMUNITY HALLS

The Municipal area has a total of 16 community halls. All these halls are serviced by the Municipality. The major challenge with these facilities is that they are vandalized and cost municipality a fortune to repair. In the financial year under review, the municipality developed the Community Facilities policy which aims to guide the implementation of a strategy that will assist the municipality to safeguard the public assets.

3.10.2 CEMETERIES AND CREMATORIA

Due to lack of land availability, the Mkhambathini municipality does not own municipal Cemeteries and Crematoria. In some of the tribal authority areas, the community members have burial sites within their family homes (yards). However, the majority uses either Msunduzi Municipality's Cemeteries and Crematoria, Mophela cemeteries (under Ethekwini Municipality) as well as uMshwathi Municipality's cemeteries.

3.10.3 CHILD CARE FACILITIES

As a way of promoting Early Childhood Development (ECD), the Municipality handed over 3 ECD centers in Ward 2 Ward 4 and Ward 7. The Municipality, KZN Treasury and the Department of Social Development donated w the following items:

- Educational materials
- Cooking Material
- Toys
- Blankets and sponges
- Tables and chairs

3.11. YOUTH AND SPORTS DEVELOPMENT

Sports development is an important part of Mkhambathini' s youth development. In the financial year under review the following activities were implemented:

- The Mkhambathini Local Sports Confederation Council 2017/2021 was established in July 2017. This structure is made up pf the following federations; Netball, football, boxing, basketball, volleyball, indigenous sport games (Khokho, Mlabalaba and Ingqathu), athletics, golden games and people living with disability are also represented.
- The SALGA games 2018/2019 began with local selections where all Wards were invited and transported to the central venue at Camperdown Sports ground.
- Mkhambathini also participated in the District SALGA games where it achieved 1st prizes in basketball for females, volleyball, Athletics and boxing. Basketball for males achieved 2nd prize.
- The District SALGA games took place from 22-29 September 2018 and Mkhambathini Municipality was well represented.
- Furthermore, it is to be noted that Mkhambathini Municipality had a total of 19 players who participated in the Provincial SALGA games which took place in uMgungundlovu District from 6 to 2019 December 2018.

The indigenous games 2018/2019 were also a great success. Mkhambathini Municipality participated in Local, District, Provincial as well as the National level.

Disability Sports Association (DISA) program facilitates participation of persons with disabilities in sports development activities. The Mkhambathini Municipality's persons with disabilities participated sports activities that were held in Caluza sports ground where they played different sports codes such as Mlabalaba, soccer, athletics, rugby ball throw and many other games.

3.11.1. YOUTH DEVELOPMENT

- A number of 7 youth participated in the Mkhambathini' s EPWP "My job My future" programme which is an Internship programme aimed at providing the municipality's graduates an opportunity for on the job training. The programme is implemented within the office spaces of Mkhambathini Municipality;

- Fourteen (14, 2 per ward) Youth participated in the EPWP Social Sector Sport Star programme;
- Youth of Mkhambathini formed the majority of other 60 EPWP participant. More youth was employed in the Community Work Programme implemented in Mkhambathini;
- Furthermore, in 07 September 2018 the Mkhambathini Municipality hosted a Matric Prayer and a Career exhibition aimed at providing career information to learners preparing for tertiary. This event also included voter registration in preparation of the elections that took place in May 2019.

3.12. SPECIAL PROGRAMMES:

The Special Programs Unit focuses on senior citizens, children, people with disabilities and gender issues. The main purpose of this programme is to ensure social cohesion/ inclusion of those considered as vulnerable groups. The following activities were implemented in the year under review:

3.12.1. SENIOR CITIZENS

The senior citizens activities that took place in 2018/2019 include:

- Golden games which are sports activities where active senior citizens participated in the local, district and provincial game.
- Annual Senior Citizens Christmas Celebration hosted by the Mayor. The main purpose of this event is to show the seniors that they are important citizens of the municipality and thank them for their contribution in social cohesion, as most of them look after their grandchildren. In the year under review, 105 senior citizens attended the event (15 per ward). The event was graced by the presence of the Department of Social Development, SASSA as well as the Office of the Premier. The Senior citizens received walking sticks and gift packs which were Christmas gifts from Mkhambathini Council.

3.12.2 DISABILITY PROGRAMME

Mkhambathini municipality has a functional Disability Forum responsible for assisting the municipality to coordinate disability issues within Mkhambathini Municipality. The purpose of the forum is to monitor and ensure mainstreaming of disability in municipal programs in line with the Disability Framework for local government.

The municipality strives to ensure that persons with disabilities are mainstreamed in the workforce within all sectors in and around the municipality. As such, the municipality has ensured that some ward committee members are persons with disabilities. They are also represented in most coordinating structures within the municipality. It is to be acknowledged that more work still needs to be done to ensure training and development of people living with disabilities and inclusion in all sectors of the economy within the municipal area.

There were two significant events that were aimed for persons with disabilities, and these are;

- Sports for persons with disabilities.
- World Disability day celebration, a Mayoral programme where persons with disabilities were hosted at a luncheon event. This event took place on 06 December 2018. The Office of the Premier, SASSA and the Department of Social Development were also at the event. Some of the persons with disabilities that attended the event received assistive devices and all that attended received gift pack from Council.

3.12.3. GENDER PROGRAMME

The Mkhambathini Municipality is currently in the process of resuscitating the Municipal Gender Forum. This will assist with implementation of ward-based gender programs.

3.12.4. CHILDREN

The municipality completed and handed over to the community 3 'State of the Arts' creches in ward 2, ward 4 and ward 7.

3.13. HIV/AIDS PROGRAMME

Guided by the District as well as the Mkhambathini Municipality's HIV/AIDS Strategy, the municipality implemented the following activities in the financial year under review:

- Four HIV/AIDS Campaigns conducted to raise awareness on HIV/AIDS and other health issues.
- Four Nerve Centre meeting conducted, to deliberate on health issues and statistics from health centers within Mkhambathini Municipality.
- Four Local AIDS Council meeting conducted where various stakeholders come together to deliberate on attempts to curb the spread of HIV/AIDS within Mkhambathini Municipality.

3.14. OPERATION SUKUMA SAKHE

The Operation Sukuma Sakhe programme is a governmental integrated approach to fast tracking service delivery. This programme brings together local and provincial government as well as civil society organizations to bring together their efforts to address social ills such as poverty, crime, HIV/AIDS, food insecurity, drugs and any other emerging social challenges.

The Mkhambathini municipality has a Local Task Team which meets monthly or quarterly to:

- Monitor and track delivered integrated services to individuals, households and communities
- Monitor and ensure profiling of households at ward level and build a database of the different services required by communities
- Ensure that the required interventions are delivered to communities.

All wards have Community Care Givers (CCGs) and only ward 4, 5, 6 and 7 have Community Development Workers (CDW) who, among other things, have a responsibility of ensuring that households are profiled, and that required interventions are reported to the War Rooms for coordination. All war rooms were functional during the period under review.

As part of OSS, Mkhambathini hosted a Public Service Volunteer Week as well as Mandela Day in Ward 6. Furthermore, 14 Households were profiled and a total number of 9 social relief packs were delivered by the municipality in identified households. Other government departments such as DSD, DHA, DOH, Agriculture, DHS and SASSA also attended to households needing their interventions. Operation MBO was also held in Ismont Hall in ward 6.

LIBRARIES, REGISTRY SERVICES

3.15 LIBRARIES, REGISTRY SERVICES

3.15.1. LIBRARY

Mkhambathini Municipality has a total of 3 Libraries and 1 Mobile Library. The Camperdown Library [Main Library] is in Camperdown Ward 3 within the municipal premises; the Nokuphiwa Modular Library is in Ward 1 Maqongqo area and the Mobile Library is in Embo Area Ward 7.

The Camperdown Library is operated by 3 staff members [Librarian, Library Assistant and the Cybercadet]. The Nokuphiwa Modular Library is operated by 5 staff members who are employed on contract basis [Librarian, Library Assistant, Cybercadet and 2 security guards]. The Embo Mobile Library Unit is operated by 1 Volunteer.

The Libraries operate from Monday-Friday 07:45 am-16:15 pm. On Saturdays only the Camperdown Library and the Nokuphiwa Modular Library open from 08:00 am – 12:00pm. Our library's operations are funded by the Department of Arts & Culture through an annual grant that is given to the municipality. The Municipality signs a Memorandum of Agreement with the Department of Arts & Culture on annual basis. The MOA stipulates how the funds should be distributed amongst the 3 libraries.

Our Libraries are thriving to be accessible to the community at large through a number of programs and activities they are doing. This range from Library Displays, library information session days, visiting local schools in the area of Mkhambathini, competitions, online student support, access to Internet services and trainings for community on usage of computers and Internet.

Performance and accessibility of the Libraries is measured through monthly reports that are submitted by the Librarian on activities, community outreach programs, membership statistics as well as reports on trainings offered by the Cyber cadet.

3.15.2 REGISTRY SERVICES

In the 2018/2019 the Municipality had 1 staff member working at the Registry Section. The Registry section takes its mandate from the KwaZulu- Natal Archives and Records Services Act, act no 8 of 2011. The Registry services is responsible for the records management, messenger services [collection and distribution of posts], minimal shredding, acquisition, safe keeping and distribution of stationery to all municipal departments.

Due to lack of capacity in this section, the Registry has not been able to function accordingly to comply fully with all the procedures and legislations. The File Plan was done by the KZN Archives Unit and submitted to the municipality however it has not been implemented. The municipality is in the process of setting up the Registry section so that it complies. Some of the areas to be areas of focus are Registry Setup, Document Disposal, Implementation of the File Plan, developing the Procedure Manual as well as the Records Management Policy.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.16. POLLUTION CONTROL

Pollution control still rests with uMgungundlovu District Municipality Environmental Health Unit. The Monitoring is conducted by the provincial Department of Economic Development, Tourism and Environmental Affairs. The Municipality contributes by providing equipment and staff to address litter and refuse collection. The indigent policy is in place to assist in terms of benefits to alleviate poverty in addition. The District Municipality which addresses water and sanitation related matter have engaged with communities in awareness campaigns in partnership with NGO's and CGO's within the Municipality.

BIO-DIVERSITY: LANDSCAPE AND OTHER

Biodiversity and Land Use Project implemented by SANBI in partnership with uMgungundlovu District Municipality is contributing to the mainstreaming of biodiversity into Mkhambathini Local Municipality planning tools. SANBI has provided funding to develop/review the Spatial Development Framework (SDF) of Mkhambathini Local Municipality. The project is ongoing. The purpose for this project is to minimize threats to biodiversity through planning that cater for biodiversity.

COMPONENT F: SECURITY AND SAFETY

3.17 DISASTER MANAGEMENT

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

Mkhambathini Municipality's Disaster Management Advisory Forum meets on a quarterly basis to play its role of assisting people to better understand their roles in reducing the impact of disasters; assisting in the planning, development and coordination of actions to address all aspects of disasters risk reduction. 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, during the period under review, Mkhambathini in partnership with uMgungundlovu District Municipality hosted a Disaster Management Public Awareness campaign. The aim of the event was to educate the communities about risk avoidance behavior at homes and surrounding areas. The municipality also held a fire awareness campaign for the communities of Mkhambathini. The Municipality is in a process to address issues that were raised through the IDP assessment by the MEC for Cooperative Governance to ensure that it aligns with the criteria set.

COMMENTS ON THE PERFORMANCE OF DISASTER MANAGEMENT SERVICES

Currently the Disaster management duties are executed by an acting employee, assisted by uMgungundlovu District Municipality. The Municipality has since fully appointed a Disaster Management Officer.

All reported disaster incidents and challenges were attended to and resolved with the assistance of the following role players e.g. SASSA and Social Development, uMgungundlovu District and NGO's for the supply of disaster management relief, the challenges were addressed.

COMPONENT G: SPORTS AND RECREATION

This component includes community parks and sports fields.

COMPONENT H: CORPORATE POLICY OFFICES AND OTHER SERVICES

INTRODUCTION TO CORPORATE POLICY OFFICES

The municipality has developed and adopted numerous policies that guides its operations ranging from Human Resource to information and communication technology.

3.19. CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes corporate policy offices, financial services, human resources services, ICT services and property services. These would be, the Executive and Council office which is the office that house he Mayor, Councillors and the office of the Municipal manager.

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

3.20. FINANCIAL SERVICES

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

Functions of the Financial Services Department

Budget Management	Budget Preparation and monitoring Reporting (Monthly, Quarterly and Annually) Annual Financial Statements Tariffs setting Grant management
Supply Chain Management	Implementation of SCM Policy Logistic Management Disposal Management Acquisition Management Procurement Management Suppliers Database Demand Management Creditors Database

Expenditure Management	Salaries Payments of creditors VAT Compliance Creditors Reconciliation
Revenue Management	Billing and Rates Credit Control Debt Revenue Collection Cash Receipts and Banking Customer Care
Asset Management	Assets acquisition Insurance claims on assets Asset disposal Asset verification Asset accounting
Financial Control and Cash Management	Cash Management Reconciliations Annual Financial Statements Investment Management
Management Accounts and Financial Systems	Managements Accounts

COMMENTS ON FINANCIAL SERVICES

Revenue collection remains a challenge with the debtors amounting to R29 161 273 at the end of June 2019. In order to address this the municipality will further strengthen the implementation of debt collection policy. The municipality have embarked on an exercise of data cleansing while also ensuring that old debts are handed over to the municipal debt collectors in trying to reduce the debtor's book.

The municipality will introduce a procurement plan which will support MSCOA requirements.

Furthermore, the CFO and the SCM unit will ensure the implementation and adherence to the systems in place in order not to incur any unauthorized and irregular expenditures.

3.21. INFORMATION, AND COMMUNICATON TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services. One of the major highlights in the year under review was the revamp and completion of the Municipality's Website which is now operational and easily accessible to all.

The ICT services has an IT governance framework which is implemented through the master systems plan. This plan is aimed at ensuring that the municipality has the necessary system in place to ensure that the municipality's performance improves.

The Municipality is investigating the move to automated reporting for complaints management, performance management and audit system.

COMMENTS ON INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

Budgetary constraints limit the provision of qualitative service delivery versus implementation of certain projects for automated document management, complaints management and performance management.

The municipality through the assistance of the steering committee drew a plan to facilitate the project that were outstanding at the end of the financial year.

COMPONENT I: HUMAN RESOURCE MANAGEMENT

INTRODUCTION TO HUMAN RESOURCE SERVICES

The municipality has in the past financial year prioritized the following areas in far as Human resource is concerned: Recruitment and selection, staff training, review of job description, development of Workplace Skills Plan, review of policies, computer equipment and IT systems. It is with great excitement that the municipality has been able to achieve all these targets.

CHAPTER FOUR: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year -0			
	Employees No.	Approved Posts No.	Employee No.	Vacancies No.	Vacancies %
Housing	1	1	1	0	0
Planning	1	1	1	0	0
Local Economic Development	1	1	1	0	0
Disaster	0	1	0	1	0
Community and Social Services	29	40	29	11	28%
Environmental Protection	0	0	0	0	0
Finance	15	18	15	4	22%
Corporate Policy Offices and Others.	33	38	33	5	13%
Total	80	100	80	20	20%

VACANCY RATE			
Designation	Total Approved Posts No.	Vacancies (Total time that vacancies exist using fulltime equivalent) No.	Vacancies (as a proportion of total posts in each category) %
Municipal Manager	0	1	20%
Chief Financial Officer	1	0	0
Other S57 Manger (excluding Finance Posts)	3	0	0
Total	5	0	20%

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

MSA 2000 Section 67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. The policies have been developed and some reviewed and adopted by the Council. Refer to the table below.

4.2. POLICIES

POLICY NAME	DATE OF ADOPTION	POLICY NAME	DATE OF ADOPTION
Subsistence and Travel Policy	29/05/2018	Procedure to be followed in instances where employees are unable to attend work as a result of imprisonment	29/05/2018
Petty Cash	29/05/2018	Resignation	29/05/2018
Rates	29/05/2018	Human Resources Management and Development Strategy and Implementation plan	29/05/2018
Virement	29/05/2018	Supply Chain Management	29/05/2018
Payroll Policy	29/05/2018	Standing Rules and Orders for meeting of the council and its committees	29/05/2018
Creditors Control and Debts Collection	29/05/2018	Enterprise Risk Management Framework	29/05/2018
Appointment of Consultant	29/05/2018	Audit Committee Charter	29/05/2018
Contract Management	29/05/2018	Dress Code Policy	29/05/2018
Funding and Reserves	29/05/2018	Incapacity due to poor work performance	29/05/2018
Budget Policy	29/05/2018	Placement Policy	29/05/2018

POLICY NAME	DATE OF ADOPTION	POLICY NAME	DATE OF ADOPTION
Leave Management	29/05/2018	Training and Development	29/05/2018
Employment Equity	29/05/2018	Task Job Evaluation	29/05/2018
Sexual Harassment	29/05/2018	Subsistence Abuse	29/05/2018
Occupation Health and Safety	29/05/2018	Employment Benefits and Conditions	29/05/2018
Incapacity to ill health	29/05/2018	Internal Bursary	29/05/2018

4.3. INJURIES, SICKNESS AND SUSPENSION

There were no employees who got injured on duty and took sick leave related to injury on duty, and there were no suspensions for the period under review.

Salary Band	Total Sick Leave Days	Proportion of Sick Leave without medical certification %	Employee using sick leave	Total Employee In posts	Average Sick leave per employees' days	Cost
Lower skilled (level 11-12)	66	4.54%	Yes	33	7%	R101 648.72
Skilled (level 6-9)	34	17.02%	Yes	26	4%	R486 818.80
High Skilled Production (level 3-4)	47	42.55%	Yes	15	10%	R790 847.85
High Skilled Supervision (level 2)	83	18.07%	Yes	17	16%	R1 659 702.86
MM and Section 56	6	100%	Yes	5	4%	R65 912.40

COMMENT ON INJURY AND SICK LEAVE

During the financial year under review, there was no injury on duty reported. The sick leave taken was estimated at 8.2% by the end of June 2018.

4.4 PERFORMANCE REWARDS

There were no rewards for the period under review however the Municipality is in the process of introducing rewards management to encourage staff performance.

4.5 EXPENDITURE ON MUNICIPAL WORKFORCE

In the 2018/2019 Financial Year, the Municipality spend R 40 441 577 on salaries for both staff and Councillors. The salaries broken down into 3 categories were recorded as follows.

YEAR	SECTOR	AMOUNT SPENT
2018/2019	Councillors	R 5 809 171
2018/2019	Senior Management	R 4 307 322
2018/2019	Employee Related Costs	R 30 325 084

CHAPTER FIVE:

REPORT OF THE AUDITOR GENERAL AND AUDITED FINANCIAL STATEMENTS FOR 2017/2018

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE
AND COUNCIL ON MKHAMBATHINI MUNICIPALITY ON THE AUDIT OF THE FINANCIAL
STATEMENT AND ANNUAL PERFORMANCE REPORT

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Mkhambathini Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mkhambathini Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of the Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairments – consumer debtors

As disclosed in note 10 to the financial statements, material impairments of R10,71 million (2018: R9,17 million) was provided for as a result of irrecoverable consumer debtors.

Restatement of corresponding figures

As disclosed in notes 37 and 38 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Unauthorized expenditure

As disclosed in note 42 to the financial statements, the municipality incurred unauthorised expenditure of R3,23 million due to non-cash flow adjustments which were not budgeted for.

Other matter

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

Unaudited disclosure notes

In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.

In preparing the financial statements, the accounting officer is responsible for assessing the Mkhambathini Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

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 material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the development priority 1 – basic service delivery and infrastructure development presented in pages xx - xx of the annual performance report of the municipality for the year ended 30 June 2019.

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

Various indicators

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 2 of the 25 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator	Target	Reported achievement
Maqongqo electrification projects - Number of households energised in Maqongqo phase 2	260	229
Ward 4 electrification project - Number of houses electrified in ward 4	300	160

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

The annual performance report on pages xx to xx sets out information on the achievement of planned targets for the year and explanations provided for the under and over-achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue, expenditure and disclosure items 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

Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).

Some of the contracts were awarded to bidders based on functionality criteria that were not stipulated or differed from those stipulated in the original invitation for bidding, in contravention of Preferential Procurement Regulation 4(1) and 4(2).

Expenditure management

Reasonable steps were not taken to prevent irregular expenditure amounting to R2,86 million as disclosed in note 44 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the stipulation of the minimum threshold for local production and content, and functionality criteria that was not stipulated in invitations for bidding.

Consequence management

Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Irregular, fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

The performance management system and related controls were inadequate as it did not describe how the performance measurement and reporting processes should be conducted and managed, as required by municipal planning and performance management reg 7(1).

Other information

The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. 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 did not ensure the adequate preparation and review of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information, as the information provided did not support the achievement of reported targets and material misstatements were identified in the submitted annual financial statements. In addition, non-compliance with legislation could have been prevented had compliance been properly monitored and reviewed.

Pietermaritzburg
30 November 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ACTION PLAN TO ADDRESS ISSUES RAISED IN THE 2018/2019 AUDITOR GENERALS REPORT

NATURE OF AUDIT QUERY	DETAILED FINDING	COMMITMENT BY MANAGEMENT	TARGET DATE	RESPONSIBLE OFFICIAL
MATERIAL IMPAIRMENTS – CONSUMER DEBTORS	As disclosed in note 10 to the financial statements, material impairments of R10,71 million (2018: R9,17 million) was provided for as a result of irrecoverable consumer debtors.	Management should implement control measures to ensure that the outstanding debtors is reduced and implement the Credit control and debt control policy. The management will develop the credit control bylaw.	30 June 2020 28 February 2020	CFO/ Accountant Budget CFO
UNAUTHORISED EXPENDITURE	As disclosed in note 42 to the financial statements, the municipality incurred unauthorised expenditure of R3,23 million as a result of non-cash flow adjustments which were not budgeted for.	Management will review its annual budget during the adjustment budget and made provision for the non-cash items on the budget.	30 January 2020	CFO
PREDETERMINED OBJECTIVES	I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 2 of the 25 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators Maqongqo and Njobokazi Electrification.	Management will ensure that all PMS files are submitted to the Office of the Municipal Manager quarterly to ensure that all POE's are correct and properly referenced. The management will also ensure that quarterly assessments are performed.	20 February 2020	Acting MM
IDENTIFIED MATERIAL MISSTATEMENTS IN THE ANNUAL PERFORMANCE REPORT SUBMITTED FOR AUDITING.	These material misstatements were on the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.	The management will also ensure that the SDBIP is properly reviewed during the mid-year assessment. The management will ensure that Annual performance Report is finalised before 15 August 2020 to allow the detailed review by stakeholders to unfold before the report is submitted to Auditor-General	20 February 2020 14 August 2020	ACTING MM ACTING MM
IDENTIFIED MATERIAL MISSTATEMENTS IN THE ANNUAL FINANCIAL STATEMENTS SUBMITTED FOR AUDITING.	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of commissions' revenue, grants, expenditure, property, plant and equipment and irregular expenditure identified by the auditors in the submitted	The management will ensure that the Bi-Annual Financial Statements are prepared and submitted to Internal Auditors. The management will ensure that Draft Annual Financial Statements is finalised by 31 July 2020 to allow all other stakeholders to perform their reviews. The municipality must ensure that all sub-ledger accounts are reconciled on a	28 February 2020 30 August 2020	CFO CFO

	financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.	monthly basis.		
PROCUREMENT AND CONTRACT MANAGEMENT	Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Some of the contracts were awarded to bidders based on functionality criteria that were not stipulated or differed from those stipulated in the original invitation for bidding, in contravention of Preferential Procurement Regulation 4(1) and 4(2).	The management will ensure that the SCM Policy and SCM regulations are implemented by the municipality. Whole population of transactions from 01 July 2019 to 30 June 2020 will be reviewed and a disclosure where necessary will be made. All advert will be reviewed by office of the CFO before they are published to ensure compliance.	30 June 2020	Strategic Manager Technical/ CFO / SCM Manager
CONSEQUENCE MANAGEMENT	Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA. Irregular, fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.	Management will be implemented internal controls which will assist the municipality in preventing the fruitless and wasteful expenditure. The management will appoint an independent investigator who will assist in investigating the transactions. The report with recommendations will be then submitted to MPAC until it reaches the council with MPAC recommendations.	10 December 2019 30 January 2020	CFO / SCM Manager Acting MM



Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2019

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of basic services to the community (refuse removal, road and electricity infrastructure and other community socio-activities)
Mayoral committee	Cllr E Ngcongco (Mayor) Cllr LZ Lembethe (Deputy Mayor) Cllr TA Gwala (Speaker)
Councillors	Cllr KR Mofokeng (EXCO Member) Cllr RN Lembethe (MPAC Chair) Cllr MR Ntuli Cllr RN Zondo Cllr RB Mkhize Cllr MR Shandu Cllr S Ngidi Cllr NW Ntombela Cllr NJ Wensley (resigned in August 2018) Cllr ZF Mbambo Cllr PN Maphanga Cllr NN Phungula (newly elected in November 2018)
Chief Finance Officer (CFO)	Mr. S Mngwengwe
Municipal Website	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
Bank	Standard Bank

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognized Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPRA	Municipal Property Rates Act
INEP	Integrated National Electrification Program
EPWP	Extended Public Works Program

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 23 of these annual financial statements are within the upper limit of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearer Act and the Minister of Provincial and Local Government determination in accordance with this Act.

The annual financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the on 30 August 2019.

Accounting Officer
Miss ZM Mdlazi

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer' s Report

The accounting officer submits her report for the year ended 30 June 2019.

1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

2.

The accounting officer's details during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mrs. T.C. Ndlela	South African	resigned in February 2019
Miss ZM Mdlazi	South African	appointed Acting MM as from 05 March 2019

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Operating lease asset	6	88 400	88 400
Receivables from exchange transactions	8&10	2 159 503	2 531 764
Receivables from non-exchange transactions	9&10	18 359 940	13 573 302
Cash and cash equivalents	11	63 941 151	58 973 389
		84 548 994	75 166 855
Non-Current Assets			
Investment property	3	4 523 600	4 523 600
Property, plant and equipment	4	136 585 616	119 015 700
Intangible assets	5	409 323	606 613
		141 518 539	124 145 913
Total Assets		226 067 533	199 312 768
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	5 199 102	6 254 712
VAT payable	15	383 238	197 172
Unspent conditional grants and receipts	12	469 127	965 671
Provisions	13	2 353 095	2 115 010
		8 404 562	9 532 565
Non-Current Liabilities			
Employee benefit obligation	7	4 210 196	3 572 866
Total Liabilities		12 614 758	13 105 431
Net Assets		213 452 775	186 207 337
Accumulated surplus		213 452 775	186 207 337

* See Note 38 & 37

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	525 667	497 749
Interest received - refuse removal		50 507	31 824
Commissions received		1 552 924	1 461 289
Other income	19	673 936	1 154 748
Interest received - investment	20	4 539 279	3 483 773
Total revenue from exchange transactions		7 342 313	6 629 383
Revenue from non-exchange transactions			
Property rates	21	14 291 859	13 574 073
Property rates - penalties imposed	21	3 697 592	2 888 141
Transfer revenue			
Government grants & subsidies	22	79 993 754	73 337 407
Fines, Penalties and Forfeits		27 055	26 250
Licenses and Permits		4 909 459	4 602 934
Other income	18	101 636	103 687
Total revenue from non-exchange transactions		103 021 355	94 532 492
Total revenue	16	110 363 668	101 161 875
Expenditure			
Employee Related Cost	23	(34 632 406)	(34 140 751)
Remuneration of councillors	24	(5 809 171)	(5 172 985)
Contributions to Employee benefits (Long Service)	25	(637 330)	(266 881)
Depreciation and amortisation	26	(8 138 724)	(6 825 402)
Reversal of impairments	27	(583 732)	(1 952 528)
Debt Impairment	28	(1 539 532)	(741 640)
Loss on disposal of assets and liabilities/ (Transfers to other organ of state)		(195 350)	(8 422 110)
General Expenses	29	(30 764 297)	(22 668 118)
External Auditors		(1 233 373)	(1 264 610)
Total expenditure		(83 533 915)	(81 455 025)
Surplus for the year		26 829 753	19 706 850

* See Note 38 & 37

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	167 237 057	167 237 057
Adjustments		
Correction of errors	(1 207 431)	(1 207 431)
Balance at 01 July 2017 as restated*	166 500 487	166 500 487
Surplus for the year	19 706 850	19 706 850
Total changes	19 706 850	19 706 850
Restated* Balance at 01 July 2018	185 290 529	185 290 529
Changes in net assets		
Correction of error	1 332 493	1 332 493
Net income (losses) recognized directly in net assets	1 332 493	1 332 493
Surplus for the year	26 829 753	26 829 753
Total recognized income and expenses for the year	28 162 246	28 162 246
Total changes	28 162 246	28 162 246
Balance at 30 June 2019	213 452 775	213 452 775

* See Note 38 & 37

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Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		17 487 965	19 535 536
Grants		79 497 210	77 819 917
Interest Received		6 721 292	4 967 542
		<u>103 706 467</u>	<u>102 322 995</u>
Payments			
Employee costs		(34 632 406)	(33 968 326)
Remuneration of Councillors		(5 809 171)	(5 172 985)
Cash Paid to Suppliers		(32 006 698)	(35 010 010)
		<u>(72 448 275)</u>	<u>(74 151 321)</u>
Net cash flows from operating activities	33	<u>31 258 192</u>	<u>28 171 674</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(26 290 430)	(22 014 108)
Net increase in cash and cash equivalents		4 967 762	6 157 566
Cash and cash equivalents at the beginning of the year		58 973 389	52 815 823
Cash and cash equivalents at the end of the year	11	<u>63 941 151</u>	<u>58 973 389</u>

* See Note 38 & 37

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	562 330	-	562 330	525 667	(36 663)	(a)
Interest received (trading)	-	-	-	50 507	50 507	(d)
Commissions received	-	-	-	1 552 924	1 552 924	(b)
Other income	943 226	1 800	945 026	673 936	(271 090)	(c)
Interest received - Debtors	4 300 915	623 173	4 924 088	4 539 279	(384 809)	(d)
Total revenue from exchange transactions	5 806 471	624 973	6 431 444	7 342 313	910 869	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 272 414	-	14 272 414	14 291 859	19 445	(e)
Property rates - penalties imposed	-	-	-	3 697 592	3 697 592	(d)
Transfer revenue						
Government grants & subsidies	68 167 000	(7 950 000)	60 217 000	60 608 754	391 754	(f)
Fines, Penalties and Forfeits	-	-	-	27 055	27 055	
Licenses and permits	5 331 171	1 066 234	6 397 405	4 909 459	(1 487 946)	(b)
Other revenue	-	-	-	101 636	101 636	(c)
Total revenue from non-exchange transactions	87 770 585	(6 883 766)	80 886 819	83 636 355	2 749 536	
Total revenue	93 577 056	(6 258 793)	87 318 263	90 978 668	3 660 405	
Expenditure						
Employee related cost	(32 227 220)	-	(32 227 220)	(34 632 406)	(2 405 186)	(g)
Remuneration of councillors	(5 863 754)	-	(5 863 754)	(5 809 171)	54 583	(h)
Contribution to Long Service Awards	-	-	-	(637 330)	(637 330)	(i)
Depreciation and amortisation	(6 466 000)	(646 600)	(7 112 600)	(8 138 724)	(1 026 124)	(j)
Impairment loss/ Reversal of impairments	-	-	-	(583 732)	(583 732)	
Debt Impairment	(700 000)	-	(700 000)	(1 539 532)	(839 532)	(k)
Repairs and Maintenance	-	-	-	(3 099 817)	(3 099 817)	(l)
Bank Charges	(195 528)	-	(195 528)	-	195 528	
General Expenses	(67 197 299)	(3 868 524)	(71 065 823)	(28 897 853)	42 167 970	(l)
Total expenditure	(112 649 801)	(4 515 124)	(117 164 925)	(83 338 565)	33 826 360	
Loss on disposal of assets and liabilities	-	-	-	(195 350)	(195 350)	(m)
Operating surplus before capital expenditure	-	-	-	-	-	
Transfer recognized - Capital	15 835 000	3 550 000	19 385 000	19 385 000	-	
Sub-Total before operational revenue and expenditure	15 835 000	3 550 000	19 385 000	19 189 650	(195 350)	

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus or (Deficit) for the year after capital expenditure	(3 237 745)	(7 223 917)	(10 461 662)	26 829 753	37 291 415	
Surplus or (Deficit) for the year after capital expenditure	(3 237 745)	(7 223 917)	(10 461 662)	(734 279)	37 291 415	

Explanations

(a) Service charges - The anticipated billing amount for refuse removal was affected by 7% due to static on the number of customers who are offered the service.

(b) Commissions received - The item was budgeted under license and permits but for the reporting purpose it was separated to commission received item. License and permits performed well due to high number of applicants for learners and drivers' licenses than anticipated.

(c) Other income - Other income is for leases, building fees, tender fees and all other sundry income received by the municipality. The development happening within the area increased the income for the municipality. Included on the non-exchanged transaction is an amount of R101 636 which arises from the debt raised against uMgungundlovu District Municipality for the repayment of sewerage pump billing from Eskom.

(d) Interest received - Interest received on investments increased due to funds being invested for longer period due to more cash on hand. Interest on outstanding debtors is variable.

(e) Property rates - The rates are almost 101% compared to the budgeted amount.

(f) Government grants and subsidies - The unspent grant from previous years has been utilized within the year which lead to recognition of revenue from those grants.

(g) Employee related costs - The employee related costs budget excluded all expenditure funded by grants when the budget was done however for reporting as per mSCOA requirements all those expenses were reallocated to each item not considering the funding source. This has led to overspending when comparing to budgeted amount but when considering the grants budget which funded some employee costs the item is within the threshold and within the budget. Savings is for the posts which remained vacant during the year (MM, Finance Manager and HR Manager to mention the few).

(h) Remuneration of Councilors - The savings from the remuneration for councilors resulted from the resignation of Cllr NJ Wensley who resigned in August 2018 and the vacancy was only filled on 01 November 2018.

(i) Contribution to medical aid and long service awards - The item was not budgeted for as this is variable depending on the valuation done by the Actuary. This is a non-cash item and it will be budgeted for in the near future.

(j) Depreciation - The depreciation is higher than the one budgeted due to additions to property plant and equipment, completion of some projects which was not completed from previous years and impairment of assets during this period.

(k) Debt impairment – Increase is due to the arrears in older debt and non - payment.

(l) General expenses - the municipality have underspent on the general expenses vote due to the cost containment measures implemented by the municipality on expenditure after the approval of co-funding from municipal own funding.

(m) Loss on disposal of assets and liabilities - The item was not provided for on the municipal budget and it is a non-cash item however the municipality will provide for this item on the budget.

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized 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. Estimates were used on the following elements: Property, plant and equipment, Post-employment benefits, defined contribution plans, employee benefits, provisions and contingencies and intangible assets

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 recognized 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 recognized 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

12 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.
 - The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements
-

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

13 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 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.

Property, plant and equipment are depreciated on the straight-line basis over their useful lives to their estimates.

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

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Park homes	Straight line	30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	3 - 15
• Tractors	Straight line	10 - 25
• Guardians and Boreholes	Straight line	15
Furniture and fixtures		
• Chairs and Sofas	Straight line	5 - 20
• Bookshelves and Cabinet	Straight line	7 - 20
• Desks and Tables	Straight line	7 - 20
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-9
• Cameras	Straight line	3-9
• Video Cameras	Straight line	3-9
IT equipment		
• Laptop	Straight line	3-8
• Desktop	Straight line	3-8
• Central Processing unit	Straight line	3-8
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	20-25
Community		
• Building (Halls, change rooms, Taxi rank building and toilets)	Straight line	30
• Grandstand and Paved Area	Straight line	20-30
• Sportfield, combination court, fences, Water tanks	Straight line	10-18
Other		
• Tools and equipment	Straight line	3-9
• Plant and Equipment	Straight line	2-25
• Office Equipment	Straight line	3-9
Security Measures		
• Walls	Straight line	30
• Gates and Fencing	Straight line	10

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Accounting Policies

13 Property, plant and equipment (continued)

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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

14 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.

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14 Intangible assets (continued)

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, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

15 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

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 fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. 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 amortized cost, using the effective interest rate method. Liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any, are considered to be immaterial.

Cash and cash equivalent: 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.

16 Tax

Income tax expense

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

VALUE ADDED TAX (VAT):

The municipality accounts for VAT on the cash / payment's basis. VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

17 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 are not finance leases. Operating lease rentals are expensed on the straight-line basis.

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1.7 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 used with the 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:

- the period of time over which an asset is expected to be used by the municipality; or
- 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 follows:

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1.8 Impairment of cash-generating assets (continued)

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

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.

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 recognizes 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.

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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 assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 managed with the 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.

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Accounting Policies

19 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:

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

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.

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 asset 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 current 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 overdesigned or overcapacity asset. Overdesigned 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.

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Accounting Policies

19 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.

Reversal of an impairment loss

The municipality assesses 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 occurs when there is clear evidence that such a redesignation is appropriate.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.11 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:

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Accounting Policies

1.11 Employee benefits (continued)

- 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.

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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.

Contributions to Natal Joint Fund (NJF) and are made as follows:

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 7 Members - 7 % council 18.04 %
- Provident 3 - 4 Members - 9.25 % Council 13.65%
- Retirement 2 Members - 7 % Council - 13.65 %
- Superannuation 45 Members - 9.25 % Council - 25 %

1.12 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 potential will be required, to settle the obligation.

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus / (deficit).

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1.12 Provisions and contingencies (continued)

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.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

1.14 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.

1.15 Revenue from non-exchange transactions

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.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 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 the reason for the reclassification is disclosed.

1.18 Unauthorized 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.
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1.18 Unauthorised expenditure (continued)

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

1.21 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.

1.22 Presentation of budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing 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 2018/07/01 to 2019/06/30.

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.

1.23 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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Accounting Policies

124 Expenditure

The municipality uses the accrual basis of accounting when expenditure items are recognised (the elements of financial statements) when they satisfy the definitions and recognition criteria for elements in the Framework for the Preparation and Presentation of Financial Statements. The expenditure are recognised in terms of GRAP standards (GRAP 1) and the municipality Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. New standards and interpretations

21 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 32 Service Concession Arrangement: Grantor

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

GRAP 108 Statutory Receivables

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively, except for those changes specified in paragraphs .136 and 137.

GRAP 109 Accounting by principals and Agents

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Currently being assessed
GRAP 18: Segment reporting	01 April 2019	Currently being assessed
GRAP 20: Related-party disclosures	01 April 2019	Currently being assessed
GRAP 108: Statutory Receivables	01 April 2019	Currently being assessed
GRAP 109: Accounting by Principals and Agents	01 April 2019	Currently being assessed

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Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4 523 600	-	4 523 600	4 523 600	-	4 523 600

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	4 523 600	4 523 600

Reconciliation of investment property - 2018

	Opening balance	Transfers	Total
Investment property	5 251 600	(728 000)	4 523 600

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.

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Figures in Rand

2019

2018

4. Property, plant and equipment

	2019			2018		
	Cost /	Accumulated	Carrying value	Cost /	Accumulated	Carrying value
	Valuation	depreciation and accumulated impairment		Valuation	depreciation and accumulated impairment	
Land	728 000	-	728 000	728 000	-	728 000
Buildings	12 980 672	(4 307 981)	8 672 691	12 799 172	(3 852 650)	8 946 522
Capital Work in Progress	8 834 279	-	8 834 279	13 523 362	-	13 523 362
Furniture and fixtures	5 039 208	(4 590 199)	449 009	656 231	(151 028)	505 203
Motor vehicles	4 604 463	-	4 604 463	5 383 535	(1 382 035)	4 001 500
Office equipment	464 148	-	464 148	1 096 623	(675 836)	420 787
IT equipment	570 234	1 964	572 198	1 550 634	(988 617)	562 017
Infrastructure	62 146 626	(17 674 602)	44 472 024	54 241 729	(14 373 396)	39 868 333
Community	90 719 296	(23 030 718)	67 688 578	70 421 284	(20 140 095)	50 281 189
Other property, plant and equipment	100 226	-	100 226	178 787	-	178 787
Total	186 187 152	(49 601 536)	136 585 616	160 579 357	(41 563 657)	119 015 700

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 946 522	181 500	-	-	(376 310)	(79 021)	8 672 691
Capital Work in Progress	13 523 362	24 480 586	-	(29 169 669)	-	-	8 834 279
Furniture and fixtures	505 203	35 814	(5 000)	-	(87 008)	-	449 009
Motor vehicles	4 001 500	1 280 000	(99 815)	-	(577 222)	-	4 604 463
Office equipment	420 787	148 984	(11 114)	-	(94 509)	-	464 148
IT equipment	562 017	163 547	(17 460)	-	(135 909)	-	572 198
Infrastructure	39 868 333	7 908 534	-	-	(3 304 843)	-	44 472 024
Community	50 281 189	21 261 135	(49 761)	-	(3 299 272)	(504 711)	67 688 578
Other property, plant and equipment	178 787	-	(12 200)	-	(66 361)	-	100 226
	119 015 700	55 460 100	(195 350)	(29 169 669)	(7 941 434)	(583 732)	136 585 616

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	-	728 000	-	-	-	-	728 000
Buildings	9 332 930	-	-	-	(386 408)	-	8 946 522
Capital Work in Progress	12 874 502	19 110 190	-	(18 461 330)	-	-	13 523 362
Furniture and fixtures	577 291	27 007	(11 834)	-	(87 260)	-	505 203
Motor vehicles	2 205 074	2 148 390	-	-	(351 964)	-	4 001 500
Office equipment	464 041	79 756	(26 448)	-	(96 560)	-	420 787
IT equipment	633 962	78 166	(19 735)	-	(130 376)	-	562 017
Infrastructure	38 931 798	6 028 455	(2 240 836)	-	(2 851 076)	-	39 868 333
Community	48 241 315	12 710 736	(6 053 563)	-	(2 664 772)	(1 952 528)	50 281 189
Other property, plant and equipment	183 199	98 658	(43 377)	-	(59 693)	-	178 787
	113 444 112	41 009 358	(8 395 793)	(18 461 330)	(6 628 109)	(1 952 528)	119 015 700

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	603 369	12 919 869	13 523 238
Additions/capital expenditure	7 305 165	17 175 545	24 480 710
Transferred to completed items	(7 908 534)	(21 261 135)	(29 169 669)
	-	8 834 279	8 834 279

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	3 013 972	9 860 654	12 874 626
Additions/capital expenditure	3 617 851	15 492 215	19 110 066
Transferred to completed items	(6 028 454)	(12 432 876)	(18 461 330)
	603 369	12 919 993	13 523 362

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Building and Facilities	4 882 275	3 185 069
Road Infrastructure	1 355 336	-
Equipment and other assets	-	13 553
Motor Vehicles	366 979	237 285
	6 604 590	3 435 907

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.

5. Intangible assets

	2019			2018		
	Cost /	Accumulated	Carrying value	Cost /	Accumulated	Carrying value
	Valuation	amortisation and accumulated impairment		Valuation	amortisation and accumulated impairment	
Computer software	1 082 624	(673 301)	409 323	1 082 624	(476 011)	606 613

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5. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	606 613	(197 290)	409 323

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	803 902	(197 289)	606 613

6. Operating lease asset and liabilities

Current assets	88 400	88 400
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7. Employee benefit obligations

Defined benefit plan

Post-retirement benefit plan

The municipal personnel are member of the Natal Joint Municipal Pension Retirement Fund, mainly Superannuation, Retirement and Provident Funds and there are few members who contributes to GEPP due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/deficit to individuals' funds cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

Post-retirement medical aid plan

POST RETIREMENT MEDICAL BENEFITS

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

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

Carrying value

Employee Benefit Obligation	4 210 196	3 572 866
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The fair value of plan assets includes:

In-service numbers

Number of in-service members	47	49
Average age	40.3	39.3
Average past service	9.1	9.4
Average present value of subsidy at retirement	R 2 231 R	1 252

Summary of the in-service membership

	Female	Male	Total
Number of in-service members	28	19	47
Number of pensioners	-	-	-
Average age	39.8	40.7	40.3
Average past service	10.0	8.3	9.1
Average number of dependents	1.7	1.8	1.7
	-	-	-

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7. Employee benefit obligations (continued)

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouse.

Decremental withdrawal rates

Age 20-24	9 %	24 %
Age 25-29	8 %	18 %
Age 30-34	6 %	15 %
Age 35-39	5 %	10 %
Age 40-44	5 %	6 %
Age 45-49	4 %	4 %
Age 50-54	3 %	2 %
Age 55-59	- %	1 %
Age 60 +	0 %	0 %
	-	-

Net expense recognised in the statement of financial performance

Current service cost	2 157 960	2 104 029
Past service cost	200 518	204 748
Interest cost	213 206	212 813
Actuarial (gains) losses	18 887	(363 630)
	2 590 571	2 157 960

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.88 %	9.88 %
Expected rate of return on assets	7.24 %	7.58 %
Expected rate of return on reimbursement rights	2.46 %	2.14 %
Actual return on reimbursement rights	5.06 %	5.31 %
Medical cost trend rates	4.59 %	4.34 %

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

Post retirement Mortality

PA (90) ultimate table

Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 62 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

Long Service Awards and Retirement Gifts

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

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Figures in Rand	2019	2018
7. Employee benefit obligations (continued)		
Accrued liability		
Accrued liability (Non-current liability)	1 619 424	1 414 705
Comparison of assumption		
Discount rate per annum	8.3 %	9.0 %
General Salary Inflation rate (long term)	5.7 %	6.0 %
Net effective discount rate	2.5 %	2.0 %
Retirement age (Average)	62	65
Comparison of eligible employees		
Number of eligible employees	87	96
Average annual salary	209 709	224 929
Salary-weighted average age	40.5	39.7
Salary-weighted average age past service	9.0	6.9
Average retirement age	65	
Pre-retirement mortality	SA 85 - 90	
Withdrawals rates		
Age 20-24	9 %	24 %
Age 25-29	8 %	18 %
Age 30-34	6 %	15 %
Age 35-39	5 %	10 %
Age 40-44	5 %	6 %
Age 45-49	4 %	4 %
Age 50-54	3 %	2 %
Age 55-59	0 %	1 %
Age 60 +	0 %	0 %
	-	-
Past year and future projected liability		
Opening accrued liability	1 414 905	1 201 955
Current - Service Cost	186 819	127 384
Interest cost	120 842	94 901
Benefit vesting	(77 528)	(169 665)
Actuarial loss/ (Gain)	(25 414)	160 330
	1 619 624	1 414 905
8. Receivables from exchange transactions		
Payment in Advance	964 896	964 896
Other debtors	1 100	182 841
Other debtors - Eskom refund	-	535 435
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	415 898	187 865
	2 159 503	2 531 764
9. Receivables from non-exchange transactions		
Consumer debtors - Rates	18 359 940	13 573 302
10. Consumer debtors' disclosure		
Gross balances		

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Figures in Rand	2019	2018
10. Consumer debtors' disclosure (continued)		
Consumer debtors - Rates	28 961 132	22 588 255
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	528 909	347 584
	30 267 650	23 596 566
Less: Allowance for impairment		
Consumer debtors - Rates	(10 601 192)	(9 014 953)
Consumer debtors - Refuse	(113 011)	(159 719)
	(10 714 203)	(9 174 672)
Net balance		
Consumer debtors - Rates	18 359 940	13 573 302
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	415 898	187 865
	19 553 447	14 421 894
Included in above is receivables from exchange transactions		
Other debtors - UMDM	777 609	-
Refuse	415 898	187 866
	1 193 507	187 866
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	18 359 940	13 573 302
Net balance	19 553 447	13 761 168
Rates		
Current (0 -30 days)	3 475 105	4 819 162
31 - 60 days	1 015 705	1 241 725
61 - 90 days	884 217	587 580
91 - 120 days	801 231	502 891
121 - 365 days	725 336	491 835
> 365 days	10 763 581	5 465 703
	694 765	464 406
	18 359 940	13 573 302
Other debtors - UMDM		
Current (0 -30 days)	777 609	660 727
An amount of R777 609 has been raised as at 30 June 2019 against uMgungundlovu District Municipality for the electricity usage for Sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.		
Refuse		
Current (0 -30 days)	41 817	39 700
31 - 60 days	22 974	21 918
61 - 90 days	16 190	13 911
91 - 120 days	14 230	11 424
121 - 365 days	12 760	9 132
> 365 days	307 927	91 781
	415 898	187 866

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Figures in Rand	2019	2018
10. Consumer debtors disclosure (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(11 418 268)	(8 433 032)
Contributions to allowance	-	(2 985 236)
Reversal of allowance	704 065	-
	(10 714 203)	(11 418 268)

Councillors in Arrears

No councillors were in arrears with the municipality in 2018/19

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11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	2 037	981
Standard Bank -Account number - 052149978 - Current account	6 804 197	1 596 843
Standard Bank -Account number - 354264338 - Market Link	-	41 756 672
Standard Bank -Account number - 358478994	57 134 917	15 618 893
	63 941 151	58 973 389

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
STD BANK - 052 149 978 - (Primary Bank Account)	6 646 079	1 596 843	2 261 809	6 804 197	1 596 843	2 261 809
STD BANK - 354 264 338 - (Market Link)	-	41 568 543	50 553 493	-	41 568 543	50 553 493
STD BANK - 354 264 338 - (Fixed Deposit)	-	15 618 893	-	-	15 618 893	-
Cash on Hand - Petty Cash	2 037	981	521	2 037	981	521
STD BANK - Call Account - 358-478-994	57 134 917	-	-	57 134 917	-	-
Total	63 783 033	58 785 260	52 815 823	63 941 151	58 785 260	52 815 823

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal assistance programme	-	47 028
Community development workers grant	-	11 225
Housing grant	444 068	444 068
Lums grant	-	46 537
EPWP grant	-	(1)
Library grant	-	416 814
Sports field maintenance Grant	25 059	-
	469 127	965 671

Movement during the year

Library Grant

Opening balance	416 814	1 040 126
Current year receipts	1 617 000	795 000
Conditions met - transfer to revenue	(2 033 814)	(1 418 312)

Conditions still to be met - transfer to liabilities	-	416 814
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12. Unspent conditional grants and receipts (continued)

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was not 100% funded which was caused by the late approval of the roll-over application.

MAP grant

Opening balance	47 028	47 028
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(47 028)	-
Conditions still to be met - transfer to liabilities	-	47 028

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implement the Financial matters including but not limited to valuation roll implementation. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the total unspent grant back to the transferring department (KZN COGTA).

Community development workers

Opening balance	11 225	11 225
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(11 225)	-
Conditions still to be met - transfer to liabilities	-	11 225

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities with the implementation of the community development workers. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the total unspent grant back to the transferring department (KZN COGTA).

Financial management grant

Current year receipts	1 970 000	1 900 000
Conditions met - transfer to revenue	(1 970 000)	(1 900 000)
Conditions still to be met - transfer to liabilities	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants was 100% met.

Housing grant

Opening balance	444 068	444 068
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	444 068	444 068

The Department of Human Settlement allocated a grant to municipality to assist the municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Lums grant

Opening balance	46 537	46 537
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(46 537)	-
Conditions still to be met - transfer to liabilities	-	46 537

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12 Unspent conditional grants and receipts (continued)

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implement the Lums. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the total unspent grant back to the transferring department (KZN COGTA).

Municipal infrastructure grant

Opening balance	-	1 440 197
Current year receipts	19 385 000	16 285 000
Conditions met - transfer to revenue	(19 385 000)	(17 725 197)

Conditions still to be met - transfer to liabilities

-	-
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The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grants and the 100% conditions of the grants was met.

Expanded Public Works Programme Grant

Opening balance	-	7 980
Current year receipts	1 034 000	1 089 000
Conditions met - transfer to revenue	(1 034 000)	(1 096 980)

Conditions still to be met - transfer to liabilities

-	-
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The purpose of the grant is to incentivize municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants was 100% met.

Sports field Maintenance Grant

Current year receipts	50 000	-
Conditions met - transfer to revenue	(24 941)	-

Conditions still to be met - transfer to liabilities

25 059	-
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The purpose of the grant is to incentivize municipalities to expand work creation efforts through the use of labour intensive delivery methods on the maintenance of sports fields. The grant was not 100% implemented because the grant was received late in the financial year and the conditions of the grants was therefore not 100% spent as at 30 June 2019.

Electrification

Opening balance	-	2 398 234
Rollover not approved, Paid back to National Revenue Fund	-	(1 446 000)
Current year receipts	8 000 000	8 000 000
Conditions of the Grants met	(8 000 000)	(8 952 234)

Conditions still to be met - transfer to liabilities

-	-
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The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant 100% and grant was spent to complete Phase 1 of Njobokazi (Ward 4) Electrification Project.

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liability.

These amounts are invested in a separate bank account and are supported by cash in the bank.

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13. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for leave	2 115 010	238 085	2 353 095

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for leave	1 942 586	172 424	2 115 010

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

14. Payables from exchange transactions

Trade payables	2 283 214	3 667 009
Payments received in advanced - debtors	328 767	479 649
Other creditors	354 929	495 578
Retention	1 932 192	1 612 476
Insurance Claim - Late Cllr Mkhize	300 000	-
	5 199 102	6 254 712

15. VAT payable

Tax refunds payables	383 238	197 172
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16. Revenue

Service charges	525 667	497 749
Interest received (trading)	50 507	31 824
Commissions received	1 552 924	1 461 289
Other income	673 936	1 154 748
Interest received - investment	4 539 279	3 483 773
Property rates	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
Government grants & subsidies	79 993 754	73 337 407
Fines, Penalties and Forfeits	27 055	26 250
Licenses and permits	4 909 459	4 602 934
Other transfer revenue 2	101 636	103 687
	110 363 668	101 161 875

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

Service charges	525 667	497 749
Interest received - refuse removal	50 507	31 824
Commissions received	1 552 924	1 461 289
Other income	673 936	1 154 748
Interest received - investment	4 539 279	3 483 773
	7 342 313	6 629 383

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Figures in Rand	2019	2018
16. Revenue (continued)		
Taxation revenue		
Property rates	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
Transfer revenue		
Donations Income	79 993 754	73 337 407
Fines, penalties and forfeits	27 055	26 250
Licenses and Permits	4 909 459	4 602 934
uMgungundlovu District Municipality electricity usage refund	101 636	103 687
	103 021 355	94 532 492
17. Service charges		
Refuse removal	525 667	497 749
18. Other income		
Included on the non-exchanged transaction is an amount of R101 636 which arises from the debt raised against uMgungundlovu District Municipality for the repayment of sewerage pump billing from Eskom.		
The amount included in other revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
uMgungundlovu District Municipality electricity usage refund	101 636	103 687
19. Other income		
Operating lease income	-	69 574
Library Income	2 465	1 953
Clearance Certificates	10 812	15 105
Tender Fees	173 400	164 778
Building Plan (Plan Fees)	188 324	410 197
Insurance Claims refund	131 609	336 088
UMDM and DSD Receipts	24 853	124 959
Planning Application Fee	39 368	8 814
Skills Development Refund	103 105	23 280
	673 936	1 154 748
20. Interest received		
Interest revenue		
Interest earned from investments	4 539 279	3 483 773

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Figures in Rand	2019	2018
21. Property rates		
Rates received		
Residential	3 134 464	2 978 540
Commercial	726 129	711 094
State and Education	2 302 235	1 479 119
Agriculture	2 728 064	3 139 147
Public service infrastructure	139 623	134 029
Sectional Title	973 163	973 163
Other Properties	161 508	135 793
Industrial	5 689 593	5 528 243
Less: Income forgone	(1 562 920)	(1 505 055)
	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
	17 989 451	16 462 214
Valuations		
Residential	291 702 000	291 702 000
Commercial	94 983 000	94 983 000
State and education	146 061 120	146 061 120
Agriculture	1 408 358 000	1 408 358 000
Public service infrastructure	86 308 600	86 308 600
Sectional Title	75 783 000	75 783 000
Other Properties	230 502 540	230 502 540
Industrial	680 357 000	680 357 000
	3 014 055 260	3 014 055 260
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
The movement on the valuation roll was due to the new properties which was transferred from other municipalities due to redemarcation which was implemented as from August 2016 but was only affected on the Supplementary Valuation Roll in 2017/18 Financial Year.		
22. Government grants and subsidies		
Operating grants		
Equitable share	55 546 000	51 173 000
Library - Grant Income	2 033 814	1 418 312
Financial Management Grant	1 970 000	1 900 000
Sports field Maintenance Grant	24 941	-
LGSETA	-	23 917
EPWP Grant	1 033 999	1 096 981
	60 608 754	55 612 210
Capital grants		
Municipal Infrastructure Grant	19 385 000	17 725 197
Total Grants and subsidies	79 993 754	73 291 407
23. Employee related costs		
Basic	24 910 123	23 423 021

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Figures in Rand	2019	2018
23. Employee related costs (continued)		
Bonus	1 360 384	1 362 447
Medical aid	1 419 978	1 360 235
UIF	183 529	188 409
WCA	-	5 952
SDL	289 153	268 018
Leave pay provision charge	1 106 951	1 484 052
Phone Allowance	66 720	61 820
Defined contribution plans	3 309 829	3 139 953
Travel, motor car, accommodation, subsistence and other allowances	560 912	416 000
Overtime payments	338 315	1 358 551
Acting allowances	73 735	8 246
Housing benefits and allowances	175 855	247 889
Bargaining Council Contributions	20 922	32 158
Stipend - Ward Committee	816 000	784 000
	34 632 406	34 140 751
Remuneration of Municipal Manager		
Annual Remuneration	564 596	972 803
Car Allowance	42 000	72 000
Performance Bonus	-	69 550
Back pay	25 621	25 621
Leave Payout	229 719	229 719
Cellphone Allowance	12 000	19 500
	873 936	1 389 193
The Municipal Manager resigned from her position with effect from 01 March 2019		
Remuneration of Chief Financial Officer		
Annual Remuneration	603 858	422 735
Car Allowance	168 000	88 000
Performance Bonuses	-	60 665
Leave Payout	41 678	186 989
Housing and other allowances	63 342	26 392
Cellphone Allowance	14 400	8 400
Back pay	18 532	-
	909 810	793 181
Remuneration of Manager of Community Services		
Annual Remuneration	611 023	384 184
Car Allowance	144 000	99 000
Back Pay	16 680	3 442
Leave payout	18 676	-
Cellphone Allowance	9 600	6 400
	799 979	493 026
Remuneration of Manager Technical Services		
Annual Remuneration	575 022	405 570
Car Allowance	180 000	135 000
Back Pay	16 680	6 885
Leave Payout	31 258	-
Cellphone Allowance	9 600	7 200

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Figures in Rand	2019	2018
23. Employee related costs (continued)	812 560	554 655

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Figures in Rand	2019	2018
23. Employee related costs (continued)		
Remuneration of Manager of Corporate Services		
Annual Remuneration	816 000	707 329
Car Allowance	24 000	22 000
Acting allowance	27 830	-
Leave Payout	15 074	23 067
Back Pay	18 533	15 299
Cellphone Allowance	9 600	8 800
	911 037	776 495
The Corporate Services Manager was appointed Acting Municipal Manager as from 04 March 2019 to 30 June 2019.		
24. Remuneration of councillors		
Mayor	872 049	800 517
Deputy Mayor	706 600	649 292
Exco Members	390 739	360 767
Speaker	706 600	649 294
Councillors	2 764 130	2 361 636
Section 79 councilor	369 053	351 479
	5 809 171	5 172 985
25. Administrative expenditure		
Contributions to Medical Aid and long service awards	637 330	266 881
26. Depreciation and amortisation		
Property, plant and equipment	7 941 434	6 628 112
Intangible assets	197 290	197 290
	8 138 724	6 825 402
27. Impairment of assets		
Impairments		
Property, plant and equipment	583 732	1 952 528
The main classes of assets affected by of impairment losses was Buildings and Community Assets class. The main reasons for the impairment was due to damages on municipal assets due to public vandalism.		
28. Debt impairment		
Debt impairment	1 539 532	741 640
29. General expenses		
Materials	12 017	30 584
Advertising	339 347	388 172
Pound Security	-	21 239
Infrastructure and Planning	3 222 602	-
Face Value - License Card Renewals	1 011 631	1 098 813
Business and Advisory Services	4 997 088	2 027 103
Consumables	1 273 995	1 516 835
Landfill Site Fees	200 733	228 736

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
29. General expenses (continued)		
Operating leases	330 017	501 954
Other Contractors	1 818 959	1 868 045
Community development and training	152 153	440 258
Bank Charges	181 310	170 456
Information Technology Services	718 647	906 618
SALGA Membership fees	503 200	627 875
Communication/ Newsletter	-	646 223
Hygiene Services	17 112	-
License Renewal	56 131	13 354
Legal costs	69 507	792 149
Disaster Management	45 723	124 769
Transportation	1 795 704	1 403 415
Internal Auditors	1 090 510	784 703
Postage and courier	26 071	18 427
Printing and stationery	183 318	53 933
Art & Culture	1 210 895	817 628
Security Services	26 856	14 396
Repairs and maintenance - unspecified Assets	3 271 981	2 960 430
Repairs and maintenance - Building and Facilities	3 099 817	3 378 200
Repairs and maintenance - Office Equipment	-	13 553
Security Charges - Banking	64 826	79 701
Training and Development	329 405	134 722
Subsistence and Travelling	1 098 786	545 811
Assets expensed	969 334	-
Water and Electricity	854 159	365 153
Tracker Subscription	-	43 988
Building Control	-	11 375
Sport and Recreation	-	143 029
Other Expenses	276 813	299 367
Civic and Hospitality	712 795	160 160
Catering Services	802 855	36 944
	30 764 297	22 668 118

Contracted services have been reclassified to General Expenses.

The amount included on the General Expenses of R3 222 602 as infrastructure and planning was incurred by the municipality for the preparation and planning of the electrification of Njobokazi Electrification Project. The project implementation was funded by Department of Energy through INEP Grant.

30. Auditors' remuneration

External Audit Fees	1 233 373	1 264 610
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31. Operating lease commitments (lessee)

Operating Lease payment rentals payable by the municipality for certain office photocopying machines. Leases are negotiable between three to five years. Lease rentals escalates between 0 to 10 % per annum over the period of lease.

Operating Lease - as lessee (Expense)

Minimum Lease Payment Due

Within 1 Year	57 346	144 932
Between two to five years	-	93 851
	57 346	238 783

32. Operating lease commitments (lessor)

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Figures in Rand	2019	2018
Present value of minimum lease payment due		
Within 1 Year	68 572	68 572
Between two to five years	137 145	205 717
	205 717	274 289

33. Cash generated from operations

Surplus	26 829 753	19 706 850
Adjustments for:		
Depreciation and amortisation	8 138 724	6 825 402
Loss on sale of assets	195 350	8 422 170
Impairment deficit	583 732	1 952 528
Debt impairment	1 539 532	741 640
Movements in retirement benefit assets and liabilities	637 330	266 881
Movements in provisions	238 085	172 424
Changes in working capital:		
Inventories	-	-
Receivables from exchange transactions	(338 757)	(407 476)
Receivables from non-exchanged transactions	(7 224 548)	(3 093 651)
Payables from exchange transactions	969 469	(1 348 343)
VAT Payable	186 066	(551 026)
Unspent conditional grants and receipts	(496 544)	(4 515 725)
	31 258 192	28 171 674

34. Capital Commitments

Committed in respect of Capital Expenditure

Approved and already contracted for

• Community Assets/ Facilities	2 228 693	16 308 752
• Road Infrastructure Assets	4 119 680	7 704 223
	6 348 373	24 012 975

Approved but Not yet contracted for

• Community Assets/ Facilities	17 927 441	2 700 000
• Road Infrastructure Assets	300 000	2 850 500
• Other assets (PPE)	800 000	-
	19 027 441	5 550 500

Total capital commitments

Approved and already contracted for	6 348 373	24 012 975
Approved but Not yet contracted for	19 027 441	5 550 500
	25 375 814	29 563 475

35. Contingent Liability

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of a certain amount of money. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Litigation Cases:

1. Director General: Department of Labour - This matter concerns claims against the municipality for allegedly breaching certain conditions of the Employment Equity Act. The expected costs are R1 600 000.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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35. Contingent Liability (continued)

2. Durban Sky Dive Centre cc and another - This matter is a town planning contravention for illegal use. The expected cost is R109 364.

3. Excellence at work consultants cc - The municipality implemented a termination of a contract for a service provider who was appointed to do a feasibility study for a cemetery site. The estimated liability is R23 912.

4. Global Pact - The municipality terminated a contract of service provider who was doing the electrification of Maqongqo Electrification Phase 1. The service provided is challenging the decision and suing the municipality. The estimated cost is R2 000 000.

5. Manderstone PDA appeal - The appellants advised that it was their intention to bring a high court review application against the municipality to prove the rezoning. The high court application notice has been received and the council will then decide whether to oppose the application or set aside the matter. The costs are unknown at this point.

36. Related parties

The remuneration for councillors and salaries for key management personnel are disclosed under Note 22 and 23 and they are reported as line items on the face of Statement of Financial Performance.

Related party balances

Amount included on general expenses relates to related party for UMDM Shared Services for planning departments and other departments with the uMgungundlovu District Municipality. The other amount included on the General expenses is the amount paid to uMgungundlovu District Municipality for water accounts and amount paid to uMsunduzi Local Municipality for the land fill site expenses.

General Expenses

uMgungundlovu District Municipality	392 239	110 386
The Msunduzi Municipality	167 661	58 568
	559 900	168 954

37. Prior period errors

The consumer debtors (rates) were affected by the Valuations Appeals Board which ruled on the exemption of one property and the reduction of market value on the other property. The ruling was not implemented during the year (2017/18) and the municipality did not challenge the ruling from court of law which resulted on the Valuations Appeals Board decision being valid. The adjustment has been made to correct the prior year error.

The depreciation on assets has been recalculated after there were differences identified by auditors during the audit in 2017/18 Financial Year. The formulas for the depreciation's calculations has been reviewed which resulted on the adjustment from prior year. They were also an error on the accounting treatment of retentions from prior year which needed corrections.

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

Statement of financial position

Receivables from non-exchange transactions	-	13 573 302
Receivables from exchange transactions	-	2 531 764
Property, plant and equipment	-	119 015 701
Intangible assets	-	606 613
Payables from exchange transactions	-	6 254 712
VAT Payable	-	197 172
Net Surplus for the Year	-	19 706 850

Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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37. Prior period errors (continued)

Statement of Financial Performance

Property Rates	-	13 574 073
Property rates - penalties imposed	-	2 888 141
Interest received - Investment	-	3 483 773
Interest received - refuse removal	-	31 824
Other income	-	103 687
Depreciation expense	-	6 825 402
Debt Impairment	-	741 640
General Expenses	-	22 668 118

38. Correction of error

The municipality received the ruling from Municipal Valuations Appeals Board for the adjustment on two properties which was going to affect the previous year's revenue due to the reduction on the market value and the ruling on the exemption on the other property. The ruling was communicated to the municipality in January 2018 the adjustment was not implemented. The previous year's retention raised was incorrectly paid using incorrect amounts from 2014/15 to 2017/18 financial which resulted to the overstatement of retention amount which has been corrected. Prior year depreciation has been re- calculation which resulted to an additional amount of depreciation for previous year.

The adjustment has affected both statement of financial position and statement of financial performance for previous year.

The face of the Annual Financial Statements was affected as follows:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	9	16 212 305	(2 639 003)	13 573 302
Property, Plant and Equipment	4	119 103 374	(87 673)	119 015 701
Intangible Assets	5	607 574	(961)	606 613
Payables from exchange transactions	14	(8 382 753)	2 128 041	(6 254 712)
VAT Payable	15	(139 772)	(57 400)	(197 172)
Receivables from exchange transactions	8	1 335 602	1 196 162	2 531 764
		128 736 330	539 166	129 275 496

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Restated
Property Rates	21	14 218 826	(644 753)	13 574 073
Interest received - investment		7 085 124	(3 601 351)	3 483 773
Interest received - refuse removal		-	31 824	31 824
Property rates - penalties imposed		-	2 888 141	2 888 141
Contracted Services		(14 494 338)	14 494 338	-
General expenses		(8 516 043)	(14 152 075)	(22 668 118)
Depreciation		(6 737 729)	(87 673)	(6 825 402)
Debt Impairment		(2 985 237)	2 243 597	(741 640)
Surplus for the year		(11 429 397)	1 172 048	(10 257 349)

39. Risk management

Liquidity risk

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

39. Risk management (continued)

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 utilized borrowing facilities are monitored.

The amount reflected within trade and other payables from exchange transactions are R 5,142,856 (2018: R6,032,759)

Credit risk

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

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

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and Cash Equivalent	63 941 151	58 973 389
Consumer debtors	19 553 447	13 761 167

40. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus / (deficit) of R 213 452 775 and that the municipality's total assets exceed its liabilities by R 213 452 775.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors is the ability of the accounting officer to continue procure funding for the ongoing operations for the municipality.

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R63 941 151) is sufficient for the municipality to pay its current obligations (R8 500 250) and continue operate for at least more than six months without considering any income to be received by the municipality during the six months' period.

41. Events after the reporting date

- No events occurred after reporting date.

42. Unauthorised expenditure (Non - cash items)

Opening balance as previously reported	3 962 379	-
Opening balance	3 962 379	-
Debt impairment	839 532	1 352 556
Depreciation	1 026 125	618 204
General Expenses	637 330	1 991 619
Less: Amount provided for on the Budget	(3 962 379)	-
Loss on disposal of Assets	145 589	-
Asset Impairment	583 732	-

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Annual Financial Statements for the year ended 30 June 2019

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42. Unauthorised expenditure (Non - cash items) (continued)

Closing balance	3 232 308	3 962 379
Analyzed as follows: non-cash		
Depreciation and amortisation	1 026 125	618 204
Loss on disposal of property, plant and equipment	637 330	-
Provision of impairment	839 532	1 352 558
Loss on disposal of Assets	145 589	-
Asset Impairment	583 732	-
	3 232 308	1 970 762

The total savings on other items has been used to cover the cost for the unauthorised expenditure incurred for non-cash items.

Analyzed as follows: cash

General expenditure	-	1 991 619
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The total savings on other items has been used to cover the cost for the unauthorised expenditure incurred for cash items

43. Fruitless and wasteful expenditure

Opening balance as previously reported	4 237 048	4 208 315
Add: Fruitless and Wasteful Expenditure - current year	1 024 951	28 733
Opening balance as restated	5 261 999	4 237 048
Closing balance	5 261 999	4 237 048

The municipality incurred fruitless and wasteful expenditure for the amounts to R1 024 951 and it relates to the interest paid to Eskom and Telkom accounts which was paid after the due date. The due date for the two entities is not in line with MFMA which requires invoices to be paid within 30 days. Eskom raise interest for anything not paid within 10-15 days. An amount of R969 334 was paid to Majiki Construction for the construction of Nkosi Mdluli Hall. The site was later changed to a new site which resulted to a fruitless and wasteful expenditure.

44. Irregular expenditure

Opening balance	10 809 866	5 166 155
Add: Irregular Expenditure - current year	2 863 815	4 748 905
Opening balance as restated	13 673 681	9 915 060
Add: Irregular Expenditure - prior period	-	894 806
Closing balance	13 673 681	10 809 866

The contract for First technology was identified as irregular expenditure in prior years and the expenditure for the contract until the expiry of the contract is therefore irregular until the municipality re-advertise and appoint the service provider following SCM processes. An amount of R436 905 was incurred during 2018/19 financial year in relation to the First Technology contract.

The municipality is currently utilizing Standard Bank for Banking Services and the account was opened in 1990. The municipality have not implemented a Supply Chain Management Process to appoint the bank for the municipality since then which is not in line with the Municipal Supply Chain Management Regulations. The expenditure which relates to Standard Bank was identified as irregular during the audit, 2017/18 financial year and therefore the expenditure incurred during 2018/19 financial year for the same contract is irregular expenditure. An amount of R181 310 has been incurred during 2018/19 financial year and the full amount is therefore irregular expenditure. An amount of R1 069 840 was incurred due to local content requirements which was not followed. The municipality also incurred an amount of R1 million due to incorrect functionality used for the evaluation of the bid.

Incidents/cases identified in the current year include those listed below:

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

44. Irregular expenditure (continued)

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organized local government

Amount paid - current year	503 200	627 875
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Audit fees

Amount paid - current year	1 233 373	1 264 610
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PAYE and UIF

Current year subscription / fee	6 033 626	5 864 634
Amount paid - current year	(6 033 626)	(5 806 327)
	-	58 307

Pension and Medical Aid Deductions

Opening balance	418	-
Current year subscription / fee	6 877 046	6 612 544
Amount paid - current year	(6 877 464)	(6 612 126)
	-	418

VAT Receivable

All VAT returns have been submitted by the due date throughout the year.

46. Deviation from procurement processes

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements. The transaction amounting to R1 740 730 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Goods and services procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Popsprint and stationers	-	112 575
Chubb Fire and security	-	16 557
Red Alert	44 660	20 520
Magma Security	4 000	318 813
Ion Consulting	4 025	124 260
Driving license card	469 892	849 412
Gijima Holdings	-	7 224

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46. Deviation from procurement processes (continued)

Key Truck and cars PTY LTD	-	7 754
Hino Pietermaritzburg	59 899	108 617
Government printing works	5 583	14 713
uMgungundlovu community radio station	-	4 750
Lincroft books	-	32 807
Radio World cc	-	7 500
Fernhill Hotel	-	17 640
Lion Park Lodge	-	37 150
City of Choice	-	3 492
Human Communication	-	7 998
Maritzburg Central	14 671	8 011
Tyrall's Towing & Repair services	4 500	8 000
Sanitec	-	5 130
Hilton Life Hospital	-	3 345
Altans motor services	8 260	5 514
Mathibidi Transport (Pty) Ltd	6 150	-
Mthokozisi Zwane	55 000	-
Camperdown Motors	22 466	-
Estone Service Station	88 956	18 948
	788 062	1 740 730

The reasons for deviation per line item are as follows:

Popsprint and stationers

The municipality couldn't follow the SCM process for the acquisition of the Learners and Drivers license application forms because the service is provided by Popsprint only and the deviation was reported and approved for sole supplier for an amount of R112 575.

- 112 575

Chubb Fire and security

The municipality appointed Chubb Security for the installation of the security control equipment which include access control door, boom gate etc. The equipment needed some maintenance and as the supplier who installed the equipment it was then decided that we engage them to fix what the supplied to us.

- 16 556

Red Alert

The municipality engaged Red Alert for the installation of the CCTV Cameras and recording machines for the cameras and every time cameras having a problem or faulty, Red Alert is called to fix them hence expenditure of R20 520 was incurred during the year.

44 660 20 520

Magma Security

Magma Security was engaged after they were security risks for the Municipal Manager and there were a need to provide Bodyguard for MM and that was treated as case of emergency.

4 000 318 812

Ion Consulting

Ion is ICT consultant the municipality have, and they were engaged on an emergency perspective.

4 025 124 260

Driving license card

Only one company who make the drivers licenses in South Africa hence not either way the municipality must engage them for the service.

469 892 849 412

Gijima Holdings

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46. Deviation from procurement processes (continued)

Type of the qualification verification and assessment for the appointment of Senior managers required the municipality to engage with the service provider and they provide the type of verification and assessment that was required.	-	7 224
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Key Truck and cars PTY LTD

Municipality owns Isuzu cars and the repairs for these cars cannot be done by any garage beside Isuzu garage. Key Truck specialize with Isuzu cars.	-	7 753
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Hino Pietermaritzburg

Municipality owns Hino truck and the truck needed some repairs and the only way was to send it to Hino garage.	59 899	108 617
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Government printing works

Only one government printing works who deals with gazette in South Africa.	5 583	14 712
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uMgungundlovu community radio station

The municipality wanted the Hon. Mayor to have a slot on local radio (uMgungundlovu radio).	-	4 750
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Lincroft books

Advertising on the Eyethu, which is the uMgungundlovu newspaper was done by the municipality due to targeted audience.	-	32 807
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Radio World cc

In December 2017, 22 after the municipality and most companies were closed, the municipality had a challenge with the loud healing equipment which was working during the month but only gave problem when there was a meeting on the next day which required loud healing therefore the expenditure was incurred to fix the loud healing equipment due to emergency.	-	7 500
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Fernhill Hotel

SCM processes was followed and Fernhill Hotel was appointed for the certain number of players and technical team for the District Games but due to unforeseen circumstances the number of delegates was miss calculated then there was addition of number of delegate/ participants which caused the increase in terms of price.	-	17 640
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Lion Park Lodge

EPWP had an induction for all newly appointed employees and the decision was to conduct the induction within the jurisdiction of the municipality and the only place who had enough rooms and conference room was Lion Park Lodge which was also central when looking at the ward demarcations	-	37 150
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City of Choice

Emergency for the Municipal Manager to attend the meeting and the three quotes could not be sourced.	-	3 491
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Human Communication

Municipality wanted to advertise on the Isolezwe, and Witness and the quote was the requested from the human communication as it was emergency.	-	7 998
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Maritzburg Central

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46. Deviation from procurement processes (continued)

Insurance claim was done, and the municipality was expected to pay the excess fees therefore no SCM process was followed for the excess.

14 671	8 010
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Tyrall's Towing & Repair services

There was a breakdown for the municipal car then the towing of the municipal car was required immediately and as case of emergency Tyrall's Towing was engaged.

4 500	8 000
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Sanitec

Sewage was the biggest challenge in the municipal building, and we couldn't wait for uMgungundlovu District Municipality and for environmental issues we had to act immediately and correct the situation.

-	5 130
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Hilton Life Hospital

Participant during the District Games got injured and broke his leg and an emergency was attended and the closest hospital was Hilton Life Hospital

-	3 345
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Mathibidi Transport (Pty) Ltd

It was impractical to follow SCM Processes

6 150	-
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Mthokozisi Zwane

The municipality was assisting the artist with the launch of the CD which was not practical for the municipality to follow SCM Processes.

55 000	-
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Camperdown Motors

Strip and quote for the repairs of the municipal vehicles.

22 466	-
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Altans Motors

Municipality utilized Altans motors for the repairs and maintenance of the municipal cars.

8 260	5 514
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Estone service station

Estone service station assisted the municipality with the stripe and quote for the municipal tractor and the incident reported attended on an emergency basis because the tractor couldn't continue with the journey and three quotes could not be sourced (Strip and quote basis).

88 956	18 948
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47. VAT Payable

Heading

VAT Payable

297 091	139 772
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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

**CHAPTER SIX:
AUDIT COMMITTEE REPORT FOR THE YEAR
ENDED
30 JUNE 2019**

TO BE INCLUDED BEFORE OVERSITE REPORT

CHAPTER SEVEN: ANNUAL PERFORMANCE REPORT 2018/2019

FOREWORD BY THE MAYOR

As the Mayor of Mkhambathini Municipality, I am honoured to present the 2018/2019 Annual Performance Report of the Municipality. Much is still expected by the community from local government and those expectations continue to be our driving force this financial year.

The vision of uMkhambathini Municipality is that “by the year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development”. This is the time of reporting to the community, our achievements and short comings during 2018/2019 financial year. This report is based on the four Batho Pele principles which are information, openness and transparency, access and consultation.

Projects undertaken by the Municipality have taken off and some have come to completion to the satisfaction and appreciation of the community. In previous years we have been inundated by people living on farm lands but wanting to access our services, I am proud to say we are making great progress in this area as talks with farm owners have resulted in the building of community halls, houses, water and electricity. We will continue to engage farmers in the interest of serving the people.

Of course, there remains the challenges of poverty, unemployment and inequality that the Municipality has to take into account when delivering services and this has to be balanced with distributing service quality to all communities within the jurisdiction of our municipality. The Municipality has developed an indigent register with an aim of identified indigent families so that poor households can be assisted. We continue to excel in the implementation of the Expanded Public Works Programme (EPWP).

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. The Council has taken a robust approach in ensuring that all Council Committees remain functional and result driven.

As always, we remain resolute and committed as a Council and its administration in attaining our vision of having a sustainable, developmental municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development.

CLLR E NGCONGO

HIS WORSHIP THE MAYOR

MKHAMBATHINI LOCAL MUNICIPALITY

MESSAGE FROM THE ACTING MUNICIPAL MANAGER

It is my pleasure to share the achievements attained by the municipality during the year under review. The year under review signified a turning point for the municipality in several areas of performance. Since we started with our responsibilities as Municipal management team, we have committed ourselves in working as one team with one vision and mission.

In terms of Section 46 of the Municipal Systems Act, 32 of 2000, municipalities are required to prepare an Annual Performance Report that forms part of the Annual Report to be prepared in terms of the Municipal Finance Management Act, 56 of 2003.

It also gives an indication of expected targets in the Service Delivery and Budget Implementation Plan that was approved by Council for 2018/2019 financial year. This is in a form of a template that was prepared to monitor performance at an operational level.

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

Performance Management System is also intended to assist Council to improve service delivery by channelling its resources to meet performance targets and in doing so, ensures that the municipality achieves its strategic objectives is contained in its IDP.

There were several areas where remarkable achievement was attained. The Technical Services department has a mandate of implementing infrastructure programmes and projects of the municipality. This is in line with the basic services and infrastructure investment priorities. The Technical Services Department through the assistance of municipal manager's office was able to turn around the slow delivery and finalisation of projects.

This Annual Performance Report comes at the end of many aspects of reporting that is undertook to comply with monthly, quarterly and now annually.

We would like to thank our Council, our community at large for allowing us to work together with them to fulfil the municipal mandate.

MS ZM MDLAZI

ACTING MUNICIPAL MANAGER

MKHAMBATHINI LOCAL MUNICIPALITY

BACKGROUND TO MUNICIPAL PERFORMANCE REPORTING

Mkhambathini Municipality's Annual Performance Report 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 Systems 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 MEC for Local Government, Provincial legislature, NCOP, Minister of Cooperative Governance and Traditional Affairs, National Treasury, Auditor-General and to the citizens 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 African developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, MSA and the MFA

The Assessment Process and the Methodology followed in Compiling the Report

According to the provisions of the Municipal Systems Act, 32 of 2000, municipalities must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports, in terms of Chapter 6 of the MSA, on performance management systems. These quarterly and mid-year reports make up the municipalities' annual performance reports (Section 46 report), which are submitted to the Auditor-General, together with the financial statements, for auditing. After adoption of the audited performance report by the municipal council, it must then be submitted to the MEC for Local Government.

Compilation and Structure of the Report

The report should present an analysis and comparison of past and current progress on performance which has been conducted. This is followed by a brief assessment summary which is presented at the end of each Key Performance Area (KPA). Then follows the sub- section that relates to the challenges experienced by municipalities in performing in these KPA's.

The municipal reporting process SECTION 46

- (1) of the Municipal Systems Act (MSA) 32 of 2000, states that (1) a municipality must prepare for each financial year a performance report reflecting: the performance of the municipality and of each external Service provider during that financial year; also a comparison of the performances referred to paragraph (a) with targets set for and performances in the previous financial year; and measures taken to improve performance.
- (2) 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 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
- (2) 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.

SECTION 129 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 shared 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:
- has approved the annual report with or without reservations;
 - has rejected the annual report; or
 - has referred the annual report back for revision of those components that can be revised.

LIMITATIONS IN MUNICIPAL REPORTING

Outline the limitations in compilation of the report.

Municipality's Demographic Information

SUMMARY OF MUNICIPAL PERFORMANCE (2018/2019)

The information provided on the table below indicates the overall performance of the Municipality during 2018/2019 financial year. It has been done in line with the 6 national KPAs and is the focus of the MSA Section 46

Table 1

Total number of Targets	202
Total number of Targets after review	135
Total Number of Achieved Targets	115
Total Number of Non- Achieved Targets	20
% of Achieved Targets	95%
% of Targets exceeded	0%
% of Non- Achieved Targets	5%

Table 2: Achieved Targets

KPA	Target Achieved	Target Not Achieved
1. Municipal Transformation and institutional Development.	92%	8%
2. Basic Service Delivery & Infrastructure Development	64%	36%
3. Local Economic Development	85%	15%
4. Good Governance, Community Participation & Ward Committee Systems	89%	11%
5. Municipal Financial Viability and Management	96%	4%
6. Cross Cutting Intervention	88%	12%

BACKGROUND TO MUNICIPAL SCORECARD/SDBIP

In terms of MSA (1) (a) A municipality must set key performance indicators, including input indicators, output and outcome indicators, in respect of each of the developmental priorities and objectives referred to in section 26 (c) of the Act.

(b) A key performance indicator must be measurable, relevant, objective and precise.

(2) In setting key performance indicators, a municipality must ensure that:

- Communities are involved.

The Municipal Scorecard reflects the 6 National KPAs and local priorities. The Scorecard enables a wider assessment of how the municipality is performing.

The performance report is based on measures included within the Municipal Scorecard and incorporates priority measures selected from the IDP.

We also have legislative framework which provides for performance management at various levels in a municipality including Organizational (sometimes also referred to as municipal, corporate or strategic level), and departmental. At Organizational level, the five-year IDP forms the basis for performance management, whereas at operational level the annual SDBIP

/Scorecard forms the basis. The performance measures associated with the IDP have a long-term focus, whereas those associated with the SDBIP are short-term and focus on reviewing the progress made in implementing the current budget and achieving the annual service delivery targets.

At Departmental level, the measures are captured in the SDBIPs /Scorecards of the various departments that operate within the municipality. Performance management should occur at the various levels and relate to one another, as required by the 2001 Municipal Planning and Performance Regulations through cascading performance measures from organisational to departmental level, both the IDP and the SDBIP/Scorecard eventually link with individual performance management. Regarding performance management at individual level, the MFMA specifically requires that the annual performance agreements of Section 57 Managers must be linked to the SDBIP and the measurable performance objectives approved with the budget.

STEPS FOR MANAGING PERFORMANCE AT ORGANIZATIONAL LEVEL



PERFORMANCE ASSESSMENT

Municipal Transformation and Institutional Development

The overall score for this KPA was 91 % for 2017/2018 and 100% for the 2018/2019 financial year.

Performance Highlights for 2018/2019

The MLM has a total staff complement of 89 people. 81 of these are permanent while only 8 are temporary employees. The management (section 57 employees) comprises of 2 (two) males and 3 (three) females, all positions have been filled.

The Municipality has an adopted Human Resources Strategy in Place and is supported by the Municipal Workplace Skills Plan which assist the municipality in implementing skills based strategic priorities of the Municipality. Annual alignment of the organizational structure to the newly reviewed IDP and SDBIPs. Conduct of Skills Audit and Identify scarce and critical skill.

Challenges

The municipality is in process of expanding our Server room to ensure that it complies with the relevant legislative requirements. Implementation phases of this plan will form part of the Scorecard of the Corporate Services

Manager. The loopholes identified in the municipality's Risk Register which pertain to ITC will also be taken into consideration when developing the ICT Implementation Plan.

Measures taken to improve Performance

Conduct an annual training needs assessment to ensure training is designed to improve organisational and individual Performance.

Develop employee performance management system.

Capacitate line

management\supervisors through coaching and continuous training on grievances and disciplinary matters so that these are used as corrective and not punitive measures.

BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

The overall score for this KPA was 94 % for 2017/2018 and 96% for the 2018/2019 financial year

Performance Highlights for 2018/2019

Municipality have appointed Consultant to source funding for Small Town Re-habitation which will assist Municipality to eradicate backlogs.

Municipality have developed Municipal Maintenance Plan to quantify all municipal properties which require maintenance; therefore, any external investor can access the plan. Municipality have appointed external consultant to review our Spatial Development Framework Plan.

In 2017/2018, the Mkhambathini Municipality implemented phase 1 of the electrification project in Ward 4, Njobokazi. The phase 1 project has 300 households' connections.

Mkhambathini Municipality has developed the Indigent policy which informs the Municipality's indigent register in line with government legislative framework. The policy covers all rural and urban areas under the jurisdiction of Mkhambathini municipality in KwaZulu-Natal, where indigent members of the community have been identified and registered. The social package

stipulated in the policy is as follows: free basic electricity (FBE), Social relief packs upon death or disaster in the family and pauper burials for unknown deceased.

Challenges

- Slow progress of implementation some of Municipal Infrastructure Grant (MIG) project
- Maintaining of the Municipal Backlogs with the limited resources
- The revision of the Spatial Development Framework Plan (2014) is required considering the municipal and Ward boundary changes following the municipal 2016 elections.
- Length / timeframe to finalize land acquisition.
- The amount of illegal connection poses serious hazards to the staff on site.
- Customers are already converting new infrastructure onto illegal connections to avoid purchasing electricity.
- New customers who have been using illegal connections are refusing to have illegal connections dismantled as per Eskom's requirements.

Measures taken to improve Performance

Provide basic services through infrastructural development and create employment opportunities for all infrastructure development.

Ensure management of existing asset infrastructure through maintenance programme. The revision of the Spatial Development Framework Plan Enforcement of National Building Regulations and Building Standards within the Mkhambathini municipality boundaries.

Promote and uphold the good image of the municipality and create a fertile ground for the municipality to deliver sound administration

LOCAL ECONOMIC DEVELOPMENT

The overall score for this KPA was 94 % in 2017/2018 and 93 % for the 2018/2019.

Performance Highlights for 2018/2019

One of the biggest achievements within the Municipality's LED section was the adoption of the revised Local Economic Strategy by Council in November 2018. The strategy's mainly focuses on the three catalyst areas that will be covered being:

- Agriculture (focusing on Agri Parks)
- Tourism Development
- SMME and Cooperatives Development.

The municipality is striving to empower local businesses and cooperatives to improve our Local Economic Development. The suppliers are rotated in terms of the National Treasury regulations to ensure that everyone is

getting equal chance however there are challenges since most of our local businesses are not well established and therefore cannot supply or provide certain goods or services.

Since 2005 to date, 8 people per ward have been employed by the municipality on a rotational and renewable contract basis, cleaning the school yards, halls, crèches and sport fields.

The Expanded Public Works Programme (EPWP) is one element within a broader government strategy to reduce poverty through the alleviation and reduction of unemployment.

Challenges

Challenges facing Local Firms/ Industries and businesses:

- Tax Burden
- CAPEX Requirements
- New Competition
- Skills Shortage in the Sectors
- Lack of Land
- Poor Roads Conditions
- Insufficient Water and Electricity Provisions Planning and Zoning Regulations
- Difficulty in accessing business licensing and operational permits.

Measures taken to improve Performance

The municipality is working closely with the development agency (UMEDA) to ensure that there is no red tape that will hinder the development of emerging farmers.

There is an urgent need for the Mkhambathini Municipality to look at compiling and developing its industrial development strategy that will translate these comparative advantages into competitive ones that will seek to achieve the following:

- Enhance the potential of the agriculture sector;
- Unlock further industrial development opportunities; and
- Enhance the potential for logistics and transportation sectors.

The Municipality is in a process of engaging with the surrounding employment sectors i.e. farmers to find way of ensuring that the community of Mkhambathini is also benefiting in terms of employment. The proposed metro will also assist in the increase number of sustainable jobs.

GOOD GOVERNANCE, AND PUBLIC PARTICIPATION

The overall score for this KPA was 96 % in 2017/2018 and 96 % for the 2018/2019.

Performance Highlights for 2018/2019

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 organizations. In this way, corporate decision-making strategies integrate the principle of good governance and ensure that public interests and employees are considered.

uMkhambathini Corporate Governance entails risk management, anti-corruption and fraud risk management, supply chain management, performance management and internal audit which is unpacked below.

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 2015/16 with the assistance of Internal Audit Activity. A risk register was compiled and approved by the Audit and Performance Management Committee.

Council took a resolution that Senior Managers take responsibilities of Risk Management Committee, for the committee to add more value the municipality is planning to appoint an external Chairperson who will have an independent view on the process. The Committee is functional and report to the Audit and Performance Management Committee on a quarterly basis.

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 ward committee system is fully operational. The municipality has 7 functional ward committees which serve as a conduit between the municipality and the community. Over and above the existence and functioning of ward committees the Municipality publish its Service Delivery and Budget Implementation Plan on a quarterly basis on the municipal website. This seeks to ensure that the public is continuously informed on the achievement of set goals and targets.

The Municipality is still circulating a client satisfaction questionnaire to all municipal wards and to its rates payers. This initiative gives the community a platform to raise their needs as well as their suggestions to the municipality. Mayoral imbizos were the vehicle in communicating progress on what has been promised by the Council during its budget road show.

Challenges

The geographical location of wards makes it difficult for all members to convene their meetings hence some their attendance depends on the availability of transport in the ward. Minutes in some meetings convened by councillors are not recorded which give the municipality a challenge in terms of providing POEs for the numbers of meetings convened in a particular time .However we are engaging with Councillor to consider taking minutes for each and every meeting convene.

Measures taken to improve Performance

Mkhambathini Municipality has successfully rolled out operation “Sukuma Sakhe” within its area of jurisdiction. The municipality started in Ward 7 which was very successful, and the programme was then rolled out in all wards. Each ward has a war room. Operation “Sukuma Sakhe” is an attempt to declare war against poverty and social

challenges facing the

community. Operation Sukuma Sakhe Programme (formerly known as the Flagship Programme) seeks to institute food security, fight disease, HIV, AIDS and TB, and poverty, to empower women and youth, and to still behavioural change amongst the citizens of the province. The formulation of this 4th Generation IDP has adopted the principles of Operation Sukuma Sakhe Program thereby establishing partnerships with the local community and getting involved into War Rooms. Operation Sukuma Sakhe has a 'whole of Government approach' as its philosophical basis.

The Municipal Manager participate in the Technical MUNIMEC and Premiers Coordination Forum. Furthermore, the Mayor and the Municipal Manager also participate in the MUNIMEC and is the Chairperson of the Corporate Services Cluster within uMgungundlovu IGR Structures.

The Municipality is a developmental local government structure that is committed to working with citizens and organised interest groups to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.

FINANCIAL VIABILITY AND FINANCE MANAGEMENT

The overall score for this KPA is 93% for 2017/2018 and 94 % for 2018/2019

Performance Highlights for 2018/2019

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

The Municipality has a Supply Chain Management Unit falls within the Finance Department. The unit is responsible for ensuring that the goods and services are procured in a manner which is transparent, competitive, equitable, cost effective and fair, through proper implementation of the SCM policy which is reviewed on a regular basis.

The unit responds to the authorized purchase requisitions for other departments within the municipality using the electronic accounting system called Pastel Evolution. The speedy response to the authorized purchase requisitions where possible is always ensured.

Challenges

Revenue collection remains a challenge with the debtors amounting to R29 161 273.54 at the end of June 2019 in order to address this the municipality will further strengthen the implementation of debt collection policy.

The municipality will introduce a procurement plan which will support MSCOA requirements.

Furthermore, the CFO and the SCM unit will ensure the implementation and adherence to the systems in place in order not to incur any unauthorised and irregular expenditures.

The Municipality has also employed people in critical positions and that will help Finance department to improve its performance. Manager Finance post and other critical positions have been filled and we believe that the municipal performance will improve. The municipality is keen to ensure its sustainability and continuity by employing young people in various positions.

Measures taken to improve Performance

The Mkhambathini Municipality has developed an audit action plan based on the key findings raised and recommendations by the Auditor General. The audit improvement plan will be a standing item on the Audit and Performance Audit Committee and MPAC.

Furthermore, the municipality is in a process to finalise the review of compliance registers and activity flow processes. Each Manager will be responsible for compliance relating to his/her function.

Each service provider contracted by the municipality is obliged to transfer skills where necessary. A plan has been put in place where skills are transferred to municipal employees by relevant service providers. The Municipality introduced clauses in the contracts that requires the service provider to indicate how they will transfer skills to the municipal staff. This is measured when service provider performance is being assessed.

CROSS CUTTING INTERVENTION

The overall score for this KPA is 67% for 2017/2018 and 78% for 2018/2019

Performance Highlights for 2018/2019

The interventions deal with how municipalities should organize themselves and mobilize human and financial support to discharge their mandate as provided in the Constitution of the Republic of South Africa. Progress in municipal performance in this KPA had been assessed in the following focus areas:

- Disaster management;
- Realigned municipalities;
- Urban and rural nodes; and

This is to be achieved through: capacitating municipalities to deliver quality services to communities; promoting participative, integrated and sustainable communities; ensuring municipal plans reflect national, provincial and local priorities and resources through sound intergovernmental relations; being the first port of call for municipalities for advice and support; facilitating delivery through sound administration and the engagement of all spheres of government and social partners.

DISASTER MANAGEMENT

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

Mkhambathini Municipality's Disaster Management Advisory Forum meets on a quarterly basis to play its role of assisting people to better understand their roles in reducing the impact of disasters; assisting in the planning, development and coordination of actions to address all aspects of disasters risk reduction. 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.

Performance Highlights for 2018/2019

During the period under review, Mkhambathini in partnership with uMgungundlovu District Municipality hosted a Disaster Management Public Awareness campaign. The aim of the event was to educate the communities about risk avoidance behaviour at homes and surrounding areas. The municipality also held a fire awareness campaign for the communities of Mkhambathini. The Municipality is in a process to address issues that were raised through the IDP assessment by the MEC for Cooperative Governance to ensure that it aligns with the criteria set.

In the new financial year, the municipality aims to revise its Disaster Management Plan in line with the Spatial Development Framework.

Challenges

Currently the Disaster management duties are executed by an acting employee, assisted by uMgungundlovu District Municipality. The Municipality aims to fill the post of a Disaster Management Practitioner before the end of the next financial year.

All reported disaster incidents and challenges were attended to and resolved with the assistance of the following role players e.g. SASSA and Social Development, uMgungundlovu District and NGO's for the supply of disaster management relief, the challenges were addressed.

CAPITAL PROGRAMME PERFORMANCE 2018/19

A detailed capital status report highlighting the status of the capital programme as at the 30 June 2019.

Project planned that are still in Progress for the 2018/2019 Financial Year

Project Name	Ward	Status of the Project
Electrification Of 260 House Connections at Maqongqo – Ward 1, Phase 2	1	In Progress
Electrification Of 300 House Connections at Njobokazi – Ward 4, Phase 1	4	In Progress
Nkosi Mdluli Hall	5	In Progress
Construction of Nobhala Gravel Road	3	In Progress
Ezinembeni Crèche	1	In Progress
Matigulu crèche	7	In Progress

Project Completed

PROJECT	WARD No.	VALUE	COMPLETION DATE
Mdala Access Road	4	R 3 922 170.45	22 October 2018
Mkhishwa Access Road	5	R 3 444 582.35	19 October 2018
Dwengu Hall	6	R 6 385 752.98	22 November 2018
Camperdown hall	3	R 9 595 608.00	6 June 2019
Qakahle Hall	1	R 784 685.76	31 May 2019
Gugulethu Crèche	2	R 1 000 769.52	31 May 2019
Mahleka Sport Field	4	R 1 180 239.94	2 June 2019
Rehabilitation of Mthayi Gravel Road	5	R 920 906.09	30 October 2018
Mdakeni Access Road	6	R 1 228 846.60	31 May 2019

COMMENTS

Project Implementation plans encouraged at the beginning of the year to serve as a tool to be used for the planning and monitoring of projects against cash flow projections are being utilized effectively. Interdepartmental co-ordination and co-operation are also encouraged at the planning stage to ensure alignment with planned targets.

OVERALL COMMENT

- The progress and performance made in respect of meeting organisational and operational targets are commended.
- Additional monitoring, evaluation and review at a departmental level on at least on a monthly basis is compulsory to encourage adherence to planned programmes especially the capital programme.
- Internal co-ordination systems and processes were reviewed to ensure improved coordination.
- Alignment of the Financial System to the Performance Management system must be fast tracked.

- Internal Auditing processes should be 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

GENERAL RECOMMENDATIONS FOR IMPROVEMENT

- That Heads of department ensure that the performance information and the Portfolio of Evidence is submitted timeously;
- That evidence submitted be signed off in order to ensure that information is valid and correct;
- That where applicable the department communicates with 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 BTO support departments in this regard;
- Regular monitoring and oversight required for all targets set;
- That project task teams be established for all projects where co-ordination and integration is required;
- That a system be developed to ensure monitoring of all service providers;
- That Intergovernmental Relations structures be established to better align and coordinate development priorities and reporting requirements for the municipality;
- That a baseline study be conducted on basic services to ensure alignment with internal statistics, Stats' SA and other sources.

CHALLENGES 2018/2019

- Lack of detailed maintenance plan to facilitate maintenance of municipal infrastructure;
- Lack of strategy to implement special programs;
- Lack of Agricultural Development Strategy to alleviate poverty' and
- Insufficient own revenue to support services delivery initiatives.

ASSESSMENT OF SERVICE PROVIDERS 2018/2019

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement and is currently being done by SCM. The end user department's monitor's performance of Service providers who fail to perform the necessary action is taken including the termination of the contract or cancellation of an order is taken by the relevant department.

The following assessment key is used for this purpose: -

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S) / In Progress	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract / contract still in progress
Poor (P)	The service has been provided below acceptable standards

The following are the service providers engaged in each business unit during the 2018/2019 financial year.

BID NO.	DESCRIPTION	SERVICE PROVIDER AWARDED TO	CONTRACTED AMOUNT PER CONTRACT	DATE OF AWARD	DATE CONTRACT TERMINATED	REASON FOR TERMINATION	Assessment of Service Provider's Performance
MKH02016/010	CASH IN-TRANSIT SERVICES 36 MONTHS CONTRACT	FIDELITY CASH SOLUTIONS (PTY) LTD	R 147 702.96	11/11/2016	N/A	N/A	SATISFACTORY
<u>CAMP-2014</u>	PROVISION OF GROCERIES AND FOOD PARCELS	CAMPERDOWN SUPERSPAR	R 324,455.92	2014/07/14	N/A	N/A	GOOD
<u>G4S - 2014</u>	BANKING SERVICES	G4S CASH SOLUTIONS (SA) (PTY) LTD	R 108,810.70	2014/08/15	N/A	N/A	SATISFACTORY
<u>IGP-2013</u>	PROPERTY VALUERS FOR THE MUNICIPAL AREA OF JURISDICTION	IAN GORDAN PROPERTY VALUERS CC	R 1821,606.00	2013/01/23	N/A	N/A	GOOD
MKH02016/010	CASH IN-TRANSIT SERVICES 36 MONTHS CONTRACT	FIDELITY CASH SOLUTIONS (PTY) LTD	R 147 702.96	11/11/2016	N/A	N/A	SATISFACTORY

BID NO.	DESCRIPTION	SERVICE PROVIDER AWARDED TO	CONTRACTED AMOUNT PER CONTRACT	DATE OF AWARD	DATE CONTRACT TERMINATED	REASON FOR TERMINATION	Assessment of Service Provider's Performance
PAY - 2015	LICENSE FEE FOR PAYDAY SOFTWARE SYSTEM	PAYDAY SOFTWARE SYSTEMS (PTY) LTD	R 93866.57	2015/07/01	N/A	N/A	GOOD
UNW - 2015	NETWORK AND COMMUNICATIONS SUPPORT	UNWEMBI COMMUNICATIONS (PTY) LTD	R 119 .21 75	2015/02/27	N/A	N/A	GOOD
DEE1-2015	PROVISION OF SHORT-TERM INSURANCE	WESTWOOD INSURANCE BROOKERS (PTY) LTD	R 216,525.00	2015/07/31	N/A	N/A	GOOD
.DEE2-2015	PANEL OF CONSULTANTS: CIVIL ENGINEERING	DEEP GOLD CONTRACTORS CC	R 505,618.41	2015/08/15	N/A	N/A	POOR
PAY - 2015	LICENSE FEE FOR PAYDAY SOFTWARE SYSTEM	PAYDAY SOFTWARE SYSTEMS (PTY) LTD	R 93866.57	2015/07/01	N/A	N/A	GOOD
UNW - 2015	NETWORK AND COMMUNICATIONS SUPPORT	UNWEMBI COMMUNICATIONS (PTY) LTD	R 119 .21 75	2015/02/27	N/A	N/A	GOOD

BID NO.	DESCRIPTION	SERVICE PROVIDER AWARDED TO	CONTRACTED AMOUNT PER CONTRACT	DATE OF AWARD	DATE CONTRACT TERMINATED	REASON FOR TERMINATION	Assessment of Service Provider's Performance
.DEE2-2015	DEEP THOUGHTS ARCHITECTURE (PTY) LTD	DEEP THOUGHTS ARCHITECTURE (PTY) LTD	R 1,038,199.97	2015/09/15	N/A	N/A	SATISFACTORY
IKH-2013	ELECTRIFICATION OF 326 NEW CONNECTIONS AT ITALA VALLEY AND ESTON FARM	IKHWEZI TRADING AND PROJECTS CO-OPERATIVE LIMITED	R 3,187,761.08	2015/01/23	N/A	N/A	SATISFACTORY
LUC-2013	COMPLETION OF MAQONGQO SPORTSFIELD	LUCKY LIPS TRADING AND PROJECT 45	R 1,092,723.06	2015/04/20	N/A	N/A	SATISFACTORY
SAN-2016	CONSTRUCTION OF PONTSHO ACCESS ROAD	SANTO CIVILS TRANS & MAINT	R 1,120,000.00	2016/10/22	N/A	N/A	GOOD
GOO1-2016	CONSTRUCTION OF BANQOBILE ACCESS ROAD	GOOD PURPOSE CONSTRUCTION AND PROJECTS JV NGELIZWE TRADING	R 1,171,115.20	2016/10/22	N/A	N/A	GOOD

BID NO.	DESCRIPTION	SERVICE PROVIDER AWARDED TO	CONTRACTED AMOUNT PER CONTRACT	DATE OF AWARD	DATE CONTRACT TERMINATED	REASON FOR TERMINATION	Assessment of Service Provider's Performance
MAP-2015	PANEL OF CONSULTANTS: CIVIL ENGINEERING	MAP AFRICA CONSULTING ENGINEERS	R 465,929.82	2015/08/21	N/A	N/A	SATISFACTORY
BTM-2015	BTMN CONSULTING ENGINEERS	PANEL OF CONSULTANTS: ELECTRICAL ENGINEERING	R 886,540.95	2015/09/15	N/A	N/A	SATISFACTORY
TPA-2016	ADDITIONAL PANEL OF PROJECT MANAGERS	TPA CONSULTING	11 %	2016/06/13	N/A	N/A	SATISFACTORY
ZIM-2016	ADDITIONAL PANEL OF PROJECT MANAGERS	ZIMILE CONSULTING ENGINEERS	R 446,400.00	2016/05/23	N/A	N/A	GOOD
GLO-2016	ELECTRIFICATION OF 380 HOUSE CONNECTIONS AT MAQONGQO IN WARD 1	GLOBAL PACT CONSULTING	R 8,726,485.68	2016/09/27	N/A	N/A	SATISFACTORY
PRO-2016	CONSTRUCTION OF GCINA ACCESS ROAD	PROZ CONSULTING CC	R 1,450,073.16	2016/11/24	N/A	N/A	GOOD
BRA-2016	CONSTRUCTION OF GULUBE CRECHE	BRAVERY LOGISTICS (PTY) LTD	R 1,955,640.00	2016/11/24	N/A	N/A	SATISFACTORY
BAR-2016	SUPPLY AND DELIVERY OF NEW 4X4 VEHICLE AND TRADE IN OF OLD VEHICLE	BARLOWORLD FORD PIETERMARITZBURG	R 684,235.01	2016/11/24	N/A	N/A	GOOD

ANNUAL SERVICE DELIVERY IMPLEMENTATION PLAN - AUDITED PERFORMANCE REPORT

BSD KPIs DEFINITIONS FOR INFRASTRUCTURE PROJECTS

KPA	Strategies/ Projects	Performance Measure	CORRECT PERFORMANCE MEASURE	KPI DEFINITIONS
BSD 1-6	Practical completion of Roads	Date Mdala road Implementation, Start date (multi-year project)	Date of practical completion of Mdala Road	This measures and reports on date of completion of the project.
BSD 1-7	Practical completion of Roads	Date Consultant's progress report/ completion certificate Mkhishwa road practically completed	Date of practical completion of Mkhishwa Road	This measures and reports on date of practical completion of the project.
BSD 2-3	Maintenance of Infrastructure Projects	Manager's progress report on Capital Project Qalakahle Hall	Date of practical completion of maintenance of Qalakahle hall.	This measures and reports on date of practical completion of the project.
BSD 2-4		Gugulethu Crèche Manager's progress reports on capital projects	Date of practical completion of maintenance of Gugulethu Creche.	This measures and reports on date of practical completion of the project.
BSD 2-5		Mahleka Sport Field Manager's progress report / completion certificate	Date of practical completion of maintenance of Mahleka Sportsfield.	This measures and reports on date of practical completion of the project.
BSD 2-6		Rehabilitation of Mthayi Gravel Road Manager's progress report / completion certificate	Date of practical completion of maintenance of Mthayi Gravel road.	This measures and reports on date of practical completion of the project.
BSD 2-7		Mdakeni Access Road Manager's progress report / completion certificate	Date of practical completion of maintenance of Mdakeni Access Road.	This measures and reports on date of practical completion of the project.
BSD 2-8		Matigulu Crèche Manager's progress report / completion certificates	Date of practical completion of maintenance of Matigulu Creche.	This measures and reports on date of practical completion of the project.
BSD 1-2	Monitoring of the prioritized capital project constructed	Manager's quarterly progress reports on capital Projects submitted to Portfolio committee	Manager's quarterly progress reports on capital Projects submitted to Council.	This KPI is meant for reporting to Council

MKHAMBATHINI LOCAL MUNICIPALITY																
ANNUAL PERFORMANCE REPORT 2018/2019																
ALIGNMENT WITH NATIONAL STRATEGIES	IDP AND BACK TO BASICS REFERENCE NUMBERS		STRATEGIC OBJECTIVE	STRATEGIES	PERFORMANCE MEASURE	BASELINE	ANNUAL2018/2019		ACHIEVED/NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	BUDGET	WARD INFORMATION	Means of Verification (POE)	RESPONSIBLE DEPARTMENT	
	IDP REF NO.	B2B REF NO.				2017/2018	TARGET	ACTUAL				PROJECTION				
KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY																
OUTPUT 2: IMPROVING ACCESS TO BASIC SERVICES	OUTCOME 6: AN EFFICIENT, COMPETITIVE AND RESPONSIVE ECONOMIC INFRASTRUCTURE NETWORK	BSD 1-1	MK 2	To ensure the provision, upgrade and construction of infrastructure and services that enhance socio-economic development within the municipality	Monitoring of the prioritised capital project constructed	Manager's quarterly progress reports on capital Projects submitted to Portfolio committee	6	4	4	Achieved	N/A	N/A	N/A	Institutional	Progress Reports, Practical Completion Certificates / Portfolio Committee minutes	Executive Manager: Technical Services
		BSD 1-2	MK 2			Manager's quarterly progress reports on capital Projects submitted to Portfolio committee	4	4	1	Achieved	N/A	N/A	N/A	Institutional	Report on Capital projects and Council Resolution	Executive Manager: Technical Services

		BSD 1-3	MK 2	Practical completion of Halls	Date Camperdown hall practically completed consultants progress report/ completion certificate	N/A	30-Jun-19	17-Apr-19	Achieved	N/A	N/A	R 3 295 394	Wards 3	Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 1.4	MK 2		Date Nkosi Mdluli Hall practically completed Consultant's progress report/ completion certificate	New	30-Jun-19	Not achieved	Not achieved	There were delayed due to relocation of site. The matter was reported to Council and the Council resolution has been provided.	The project will be completed in 2019/2020	R 4 159 971	Ward 5	Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 1-5	MK 2	Practical completion of Roads	Date Nobhala road practically completed, Consultant's progress report/ completion certificate	New	30-Jun-19	Not achieved	Not achieved	The municipality had already over committed which resulted to a delayed start in Nobhala Rd. As such this is now a multiyear project.	The project will be completed on 30 June 2019/2020.	R 2 850 500	Ward 3	Quarterly Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 1-6	MK 2		Date Mdala road Implementation, Start date (multi year project)	New	30-Jun-19	22-Oct-18	Achieved	N/A	N/A	R 53 475	Ward 4	Quarterly Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 1-7	MK 2		Date Consultant's progress report/ completion certificate Mkhishwa road practically completed	New	30-Jun-19	19-Oct-18	Achieved	N/A	N/A	R 2 775 660	Ward 6	Quarterly Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services

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		BSD1-8	MK 2		Appoint service providers to undertake capital projects	Date of appointment of service provider for Ezinembeni Creche , Appointment Letters as per the Capital to be carried out	New	30-Jun-19	06-Aug-19	Not achieved	The target was not achieved due to realising that there would be delays in implementation of some projects which resulted to Council resolving on moving the date of completion to 2019/2020. The Council resolution has been provided as POE.	Management will ensure proper planning in future to avoid delays in project achievements.	R 2 700 000	Ward 2	Appointment Letters as per the Capital to be carried out	Executive Manager: Technical Services
		BSD 2-1	MK 2	To ensure that the municipal infrastructure assets are maintained	Prepare a maintenance plan to inform the budget	Date 2019/2020 maintenance Plan adopted maintenance plan Prepared and Adopted by Council	30-Sep-17	30-Apr-19	25-Apr-19	Achieved	N/A	N/A	Opex	Institutional	Maintenance plan & Council resolution	Executive Manager: Technical Services

		BSD 2-2	MK 2		Conditional assessment reports on inspections of properties throughout the Municipality	No of reports based on 10 projects submitted to the Municipal Manager	8	10	0	Not achieved	Due to the fact that the conditional assessments were done in the previous financial year, they were not catered for in the current financial year. As such no conditional assessment were documented in the current financial year.	Management will ensure that such requirements are catered for in budget and thus implemented in future.	N/A	Institutional	Reports signed by MM	Executive Manager: Technical Services
		BSD 2-3	MK 2		Maintenance of Infrastructure Projects	Date Capital Project Qakahle Hall practically completed managers / consultants progress report/completi on certificate	New	30-Jun- 19	31-May- 19	Achieved	N/A	N/A	R 661 065,36	Ward 1	Progress report and Practical Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 2-4	MK 2			Date Capital Project Gugulethu Crèche practically completed managers / consultants progress report/completi on certificate	New	30-Jun- 19	31-May- 19	Achieved	N/A	N/A	R 997 854,00	Ward 2	Progress report and Practical Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 2-5	MK 2			Date Capital Project Mahleka Sport Field practically completed managers / consultants progress report/completi on certificate	New	30-Jun- 19	02-Jun- 19	Achieved	N/A	N/A	R 1 251 755,45	Ward 4	Progress report and Practical Completion Certificate (Once complete)	Executive Manager: Technical Services

		BSD 2-6	MK 2			Date Rehabilitation of Mthayi Gravel Road practically completed managers / consultants progress report/completion certificate	New	30-Jun-19	30-Oct-18	Achieved	N/A	N/A	R 920 609,00	Ward 5	Progress report and Practical Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 2-7	MK 2			Date Mdakeni Access Road practically completed managers / consultants progress report/completion certificate	New	30-Jun-19	24-May-19	Achieved	N/A	N/A	R 1 332 542,14	Ward 6	Progress report and Completion Certificate (Once complete)	Executive Manager: Technical Services
		BSD 2-8	MK 2			Date Matigulu Crèche practically completed managers / consultants progress report/completion certificates	New	30-Jun-19	30-Jun-19	Achieved	N/A	N/A	R 718 602,23	Ward 7	Progress report	Executive Manager: Technical Services
		BSD 2-9	MK 2		Appoint service providers to undertake maintenance projects	Date of appointment of service provider	30-Nov-17	30-Jun-19	30-Mar-19	Not achieved	The target was not achieved due to challenges that resulted to the need to halt the SCM processes and then advertise the project which then delayed appointments.	Management will ensure that project deadlines allow for unforeseen and unavoidable circumstances.	N/A	Institutional	Appointment letters	Executive Manager: Technical Services

		BSD 2-10	MK 2		Supervise and report on Maintenance within the Municipality	No of reports submitted to the infrastructure portfolio committee on maintenance done within the municipality Reports based on 7 projects	7	7	6	Not achieved	The 7th project that had been initially projected was discontinued due to reprioritisation of projects.	Management will ensure that project plans allow for unforeseen and unavoidable circumstances.	N/A	Ward 1,2,3,4,5,6,7	Maintenance reports, minutes	Executive Manager : Technical Services
		BSD 3-1	MK 2			Ward 4 Electrification project No of houses electrified in ward 4	New	300	160	Not achieved	All 300 targeted households have been connected (electrified), however by the end of the financial year, only 167 had been verified and reported by the consultant.	In future, management will ensure that reporting is correct and done timously.	R8m	Ward 4	Proof of project registration & electrification certificates and close our report	Executive Manager : Technical Services
		BSD 3-2	MK 2	To ensure the integrated electrification development project within the municipality	To facilitate access to electricity and address backlogs for electrification	Maqongqo electrification projects Number of houses energised at Maqongqo phase 2	260 (electrified)	260	229	Not achieved	Although energising is not the responsibility of the municipality, receiving the INEP grant makes it necessary to coordinate this process. At the end of the financial year not all the household were energised because of the illegal connections that were picked up by the service provider, which require further budget injection.	The 31 remaining households and disconnection of the illegal connections will be considered in the adjustment budget of the 2019/2020 financial year.	N/A	Ward 1	Close Out Report	Executive Manager : Technical Services

		BSD 4-1	MK 2	To ensure healthy living community	Implementation of Waste Management Action Plan	Number of quarterly waste management action plan reports submitted to portfolio committee	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Quarterly Progress Reports, Minutes	Executive Manager: Community Services
		BSD 4-2	MK 2		Provide Refuse Removal Services to all households within the town area	Number of households provided with Refuse Removal Service	380	410	410	Achieved	N/A	N/A	R546 000	Ward 3 and 4	Billing reports and Waste collection schedule	Executive Manager: Community Services
		BSD 5	MK 2	To ensure provision of free Basic Services	Review the indigent register	Date of Indigent Register Review and approval by Council	31-Mar-18	30-Jun-19	Not achieved	Not achieved	The KPI was not achieved as only the FBE clients were included in the register that was submitted to council. However Council is in the process for ensuring that the procedure for updating the register is followed correctly to ensure proper review of the municipality's indigent register.	The process of incorporating clients that received social relief as well as cleaning up the register to make sure that only eligible households are included will be concluded by 30 June 2020.	N/A	Ward 1,2,3,4,5,6,7	Indigent register and Council Resolution	Executive Manager: Community Services
		BSD 6-1	MK 2	To ensure effective and efficient Library Services	To coordinate the Mkhambathini Library outreach programmes	Number of Read aloud outreach programs conducted	1	1	1	Achieved	N/A	N/A	R3 500	Ward 1,2,3,4,5,6,7	Attendance register and photos	Executive Manager: Admin and Corporate Services

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		BSD 6-2	MK 2			Number of schools' resource centers enhances outreach programs conducted	New	2	2	Achieved	N/A	N/A	40 000	Ward 1,2,3,4,5,6,7	Confirmation letter from the School	Executive Manager: Admin and Corporate Services
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KEY PERFORMANCE AREA: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

OUTPUT 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING PLANNING AND SUPPORT	OUTCOME 9: A RESPONSIVE, ACCOUNTABLE, EFFECTIVE AND EFFICIENT LOCAL GOVERNMENT SYSTEM	MIDT 1	MK 5	To ensure that Policies and Procedures are up-to-date	Review and Update Policies and Procedures	No of Policies / bylaws Reviewed and adopted by 30 June 2019	6	5	5	Achieved	N/A	N/A	N/A	Institutional	Reviewed policies/ procedures and Council resolutions	Municipal Manager
		MIDT 2-1	MK 5	To ensure effective service delivery through staff development training	Training of Staff in terms of the needs analysis report of 2017/2018	Number of Staff Trained report based on the trainings	5	4	23	Achieved	The target on this KPI was mistakenly switched with the target for MIDT 4-1. The target was actually meant to be 4 (types of training).	PMS Officer will ensure quality assurance and control of the KPIs and targets to avoid such mistakes in future.	R500 000	Institutional	Training report , training registers/certificate of attendance/ proof of registration	Executive Manager: Admin and Corporate Services Department.
		MIDT 2-2	MK 5		Award Staff members with study bursaries	Number of staff members awarded with bursaries	14	6	6	Achieved	N/A	N/A		Institutional	Proof of registration and proof of payment	Executive Manager: Admin and Corporate Services Department.

MIDT 2-3	MK 5			Date progress report Prepared and submitted to the Municipal Manager on the achievement of the staff funded	31-Mar-18	31-Mar-19	31-Mar-19	Achieved	N/A	N/A	N/A	Institutional	Report and signed proof of submission to the MM	Executive Manager: Admin and Corporate Services
MIDT 3	MK 5	Create Job opportunities through EPWP projects	EPWP job opportunities created	Number of Jobs Created through EPWP (My job, my future, Ngezandla zethu, Town Beautification, Sports Stars)	160	121	136	Achieved	N/A	N/A	R1 034 000	Ward 1,2,3,4,5,6,7	EPWP contracts	Executive Manager: Community Services
MIDT 4-1	MK 5	To provide skills development programmes for Staff and Councillors	Conduct training as per WSP	Number of Trainings Conducted as per WSP by 30 June 2019	8	20	7	Not Achieved	The target on this KPI was mistakenly switched with the target for MIDT 2-1. The target was actually meant to be 4 (types of training).	PMS Officer will ensure quality assurance and control of the KPIs and targets to avoid such mistakes in future.	N/A	Institutional	Training registers or certificates and invoices or proof of payment	Executive Manager: Admin and Corporate Services
MIDT 4-2	MK 5		Adoption of the WSP	Date WSP adopted by Council	31-Apr-18	30-Apr-19	25-Apr-19	Achieved	N/A	N/A	N/A	Institutional	Proof of training needs, WSP, Council resolution	Executive Manager: Admin and Corporate Services
MIDT 4-3	MK 5		Submission of the WSP to LGSETA	Date WSP submitted to LGSETA	31-Apr-18	30-Apr-19	25-Apr-19	Achieved	N/A	N/A	N/A	Institutional	Proof of submission to LGSETA	Executive Manager: Admin and Corporate Services
MIDT 5-1	MK 5	To ensure that employment equity targets are met	Review and submit the EE Plan to Council	Date EE Plan submitted to Council for Approval	31-May-18	31-May-19	30-May-19	Achieved	N/A	N/A	N/A	Institutional	Report an Council Resolution	Executive Manager: Admin and Corporate Services

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		MIDT 5-2	MK 5		Review and submit the EE Plan to Department of Labour	Date EE Plan reviewed by HR and submitted to Department of Labour	30-Jun-18	30-Jun-19	24-Oct-18	Achieved	N/A	N/A	N/A	Institutional	Proof of submission, EE plan	Executive Manager: Admin and Corporate Services
		MIDT 6	MK 5	To implement a refined organisational structure	Adopted Organisational Structure	Date of refined organisational structure adopted by Council	30-Jun-18	30-Jun-19	30-May-19	Achieved	N/A	N/A	N/A	Institutional	Approved Structure and Council resolution	Municipal Manager
		MIDT 7	MK 5	To ensure effective utilisation of the Municipal Fleet	Report of Fleet Management activities forwarded to Admin and Corporate Services Portfolio Committee	Quarterly Fleet Management Reports submitted to portfolio Committee	4	4	4	Achieved	N/A	N/A	R 1 090 000	Institutional	Reports , minutes and registers	Executive Manager: Admin and Corporate Services
		MIDT 8	MK 5	To ensure that services provided to the Municipality by service providers is of high quality	Assess and Report on Service Providers Performance	Number of Reports Presented on the assessment of service providers (Report indicating good/bad/poor performance)	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Reports on Service provider performance	All Department

KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT

OUTPUT 3: IMPLEMENTATION OF THE	OUTCOME 4: DECENT	LED 1-1	MK 2	To ensure functional Rural Economic Development Projects	Monitor and report on the performance of rural development projects	Number of Rural Economic Development Projects Supported	New	7	7	Achieved	N/A	N/A	R150 000	Ward 1 to 7	List of required materials, proof of purchase and receipt	Executive Manager: Community Services
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		LED 1-2	MK 2			Number of quarterly progress reports on LED projects submitted to the Admin and Community Services Portfolio	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Progress reports and Portfolio Minutes	Executive Manager: Community Services
		LED 2	MK 2	To promote emerging business	Increased number of Awards made to BEE Companies	Number of BEE Awards Made Jobs (tender) awards to emerging businesses	80	25	60	Achieved	N/A	N/A	N/A	Ward 1,2,3,4,5,6,7	SCM report which indicate the BEE rating certificates and copy of appointment letters or orders	Chief Financial Officer
		LED 3-1	MK 2	To promote the rights of designated groups	Youth Programmes implemented	Date of Career Expo Exhibition	20-Mar-18	31-Mar-19	02-03 May 2019	Not Achieved	The target was not achieved because some projects had to be rescheduled due to election campaigns.	Management will ensure that project plans allow for unforeseen and unavoidable circumstances.	R190 000	Ward 1,2,3,4,5,6,7	Registers, photos, reports	Executive Manager: Admin and Corporate Services
		LED 3-2	MK 2			Date Matric Prayer	Oct-17	30-Aug-18	07-Sep-18	Achieved	N/A	N/A	R120 000	Ward 1,2,3,4,5,6,7	Registers, photos, reports	Executive Manager: Community Services
		LED 3-3	MK 2		Coordinate Meetings for youth Councils	Number of quarterly youth Council Meetings held	New	3	4	Achieved	N/A	N/A	N/A	Ward 1,2,3,4,5,6,7	Minutes and attendance registers	Executive Manager: Community Services
		LED 3-4	MK 2		Host Senior Citizens event	Organise and Hold annual christmas celebration	Dec-17	31-Dec-18	31-Dec-18	Achieved	N/A	N/A	R194 000	Ward 1,2,3,4,5,6,7	Report, Registers and photos	Executive Manager: Community Services

		LED 3-5	MK 2		Coordinate meetings for people living with Disability	Number of Meetings of People living with Disability Held	4	4	1	Not Achieved	The meetings were convened, however due to the fact that the these were convened by external stakeholders, we have struggled obtaining POE.	To ensure that infuture an official will be at the meeting or ensure that POE is collected emmediately after the meeting.	N/A	Institutional	Minutes and attendance registers	Executive Manager: Community Services
		LED 3-6	MK 2			Date of Annual disability celebration held	Dec-17	31-Dec-18	06-Dec-18	Achieved	N/A	N/A	R194 000	Ward 1,2,3,4,5,6,7	Photos/ registers and close out report	Executive Manager: Community Services
		LED 3-7	MK 2			Date of close out report submitted to portfolio on district disability games attended	New	31-Jan-19	31-Jan-19	Achieved	N/A	N/A	N/A	Institutional	close out Report	Executive Manager: Community Services
		LED 4-1	MK 2	To Promote Sports and Recreation	Sport Programme implemented (Local Selections Golden games)	Number of Close out report submitted to portfolio on golden games programmes attended	2	1	1	Achieved	N/A	N/A	R415 000	Ward 1,2,3,4,5,6,7	Registers and close out reports	Executive Manager: Community Services
		LED 4-2	MK 2		To coordinate and hold Mayoral games	Number of Close out report submitted to portfolio on golden games programmes attended	1	1	1	Achieved	N/A	N/A	R 266 500	Ward 1,2,3,4,5,6,7	Registers and close out reports	Executive Manager: Community Services
		LED 4-3	MK 2		To coordinate and attend District SALGA Games	Number of Close out report submitted to portfolio on District SALGA games programmes attended	1	1	1	Achieved	N/A	N/A	R 525 000	Institutional	Registers and close out reports	Executive Manager: Community Services

		LED 4-4	MK 2		To coordinate and attend Provincial SALGA Games	Number of report submitted to portfolio on Provincial SALGA programmes attended	1	1	1	Achieved	N/A	N/A	R 495 000	Institutional	Correspondance	Executive Manager: Community Services
		LED 5-1	MK 2	To combat HIV and AIDS	Coordinate Local Aids Council Meetings	Number of Local Aids Council meetings held	4	4	4	Achieved	N/A	N/A	R15 000	Institutional	Registers and minutes	Executive Manager: Community Services
		LED 5-2	MK 2		To coordinate health awareness campaigns	Number of health awareness campaigns held	2	2	2	Achieved	N/A	N/A	R160 000	Institutional	Correspondance and close out reports	Executive Manager: Community Services
		LED 5-3	MK 2		To develop and approve the HIV Strategy	Date of HIV/AIDS strategy approval by Council	New	30-Jun-19	30-Jun-19	Not achieved	Process ongoing. The strategy has not yet been concluded due to the fact that it development involves all the LAC stakeholders.	The strategy will be approved by Council before the end of Q1 of 2019/2020.	N/A	Institutional	HIV/AIDS Strategy and Council Resolution	Executive Manager: Community Services
		LED 5-4	MK 2		Coordinate and attend the Nerve Centre Meetings	Number of quarterly nerve centre meetings coordinated	4	4	4	Achieved	N/A	N/A	R15 000	Institutional	Registers and minutes	Executive Manager: Community Services
		LED 6	MK 2	To assist community in fighting poverty	SMME & Cooperatives support and training programme implemented	Number of SMME and Cooperatives trainings	2	2	2	Achieved	N/A	N/A	R93 000	Ward 1,2,3,4,5,6,7	Correspondance , Training registers and/ or certificates	Executive Manager: Community Services
		LED 7	MK 2	To create a conducive environment for Local Economic and Rural Development	Coordinate Meetings for LED Forums	Number of LED Forums Meetings Coordinated	0	4	8	Achieved	N/A	N/A	R100 000	Institutional	Minutes and attendance registers	Executive Manager: Community Services

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		LED 8	MK 2	To Promote Tourism within the Municipal Area	To coordinate and host Mkhamba Fair Business EXPO	Date Mkhamba Fair held	24-Mar-18	31-Mar-19	31-Mar-19	Achieved	N/A	N/A	R280 000	Ward1,2,3,4,5,6,7	POSTER AND REGISTERS	Executive Manager: Community Services
		LED 9-1	MK 2	To promote Arts and Culture Activities	Coordinate Reed Dance Activities	Number of close out report on Reed Dance events submitted to portfolio committee	New	1	1	Achieved	N/A	N/A	R127 800	Institutional	Close out report	Executive Manager: Community Services
		LED 9-2	MK 2		Coordinate Arts and Culture festival	Close out report on Arts and culture events submitted to portfolio committee	New	1	1	Achieved	N/A	N/A	R650 000	Institutional	Close out report	Executive Manager: Community Services
		LED 9-3	MK 2		Coordinate crafters workshop/ training	Date crafters Workshop held	New	30-Jun-19	0	Not achieved	The training had to be postponed	Will be done in Q1 of 2019/2020	70 000	Ward 1,2,3,4,5,6,7	Attendance Register/ Photos	Executive Manager: Community Services
		LED 10-1	MK 2	To implement Operation Sukuma Sakhe Programmes	Ensure functional OSS Task team (LTT)	Number of OSS meetings held (LTT)	4	4	6	Achieved	N/A	N/A	N/A	Institutional	Minutes and attendance registers	Executive Manager: Community Services
		LED 10-2	MK 2		Coordinate Operation Sukuma Sakhe Outreach Programmes	Number of Mandela Day Close out report on Mandela day campaign submitted to portfolio committee	New	1	1	Achieved	N/A	N/A	R 100 000	Institutional	Close out report	Executive Manager: Community Services
		LED 10-3	MK 2			Date of Operation MBO Close out Report submitted to the Municipal Manager	New	31-Dec-18	31 November 2018	Achieved	N/A	N/A	R 270 000	Ward 1,2,3,4,5,6,7	Close out Report and signed proof of Receipt	Executive Manager: Community Services

KEY PERFORMANCE AREA: FINANCIAL VIABILITY AND MANAGEMENT															
OUTPUT 1: IMPLEMENTATION A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT	OUTCOME 9: A RESPONSIVE, ACCOUNTABLE, EFFECTIVE AND EFFICIENT LOCAL GOVERNMENT SYSTEM														
	FIN 1	MK 4	To improve expenditure control	Prepare monthly reconciliation of creditors	Monthly creditors reconciliations prepared and signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Monthly creditors age analysis with suppliers reconciliation signed by the Chief Financial Officer	Chief Financial Officer
	FIN 1-1	MK 4		Prepare monthly reconciliation of bank balances	Number of monthly bank reconciliations prepared and signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	bank reconciliation signed by the Chief Financial Officer	Chief Financial Officer
	FIN 1-2	MK 4		Prepare monthly bank investment reconciliation	Number on monthly bank investment reconciliations prepared and signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Investment register and GL printout signed by the Chief Financial Officer	Chief Financial Officer
	FIN 2-1	MK 4	To improve reporting control	Submit quarterly reports to Council, Provincial and National Treasury	Number of quarterly returns submitted to the Council (Section 52 (d) reports) and to Provincial and National Treasury (MFMA section 71)	12	4	4	Achieved	N/A	N/A	N/A	Institutional	Council resolution and Quarterly report (summary of Section 52 (d))	Chief Financial Officer
	FIN 2-2	MK 4		Submit monthly and annual returns to National and Provincial Treasury	Number of monthly returns submitted to the Mayor, Municipal Manager, Provincial and National Treasury	New	12	12	Achieved	N/A	N/A	N/A	Institutional	Proof of Submission (i.e. email printout) and Reports	Chief Financial Officer

		FIN 2-3	MK 4			Number of annual returns submitted to the Mayor, Municipal Manager Provincial and National Treasury	New	1	1	Achieved	N/A	N/A	N/A	Institutional	Proof of Submission (i.e. email printout) and Reports	Chief Financial Officer
		FIN 3-1	MK 4	To improve the procurement system	Prepare and submit procurement plan for approval by Council	Date Procurement Plan Prepare and submitted input to the Chief Financial Officer	New	30-Jun-19	31-Mar-19	Achieved	N/A	N/A	N/A	Institutional	Proof of Submission and Report (procurement plan)	All
		FIN 3-2	MK 4		Prepare and submit procurement plan for approval by Council	Date procurement plan inputs submitted to Finance before the end of May 2019	New	31-May-19	31-May-19	Achieved	N/A	N/A	N/A	Institutional	Procurement plan and Council resolution	Chief Financial Officer
		FIN 3-3	MK 4		Prepare and finalise evaluation of Bid / Tender	Number of Days to finalise evaluation of Bid/Tender from close of tender	5 days	5 days	More than 15 days	Not achieved	Unavailability of Bid evaluation Committee members resulted to delays.	The municipality will revise the schedule of meetings and ensure that all members adhere to the schedule of meetings	N/A	Institutional	Schedule of meetings and Attendance Register	Chief Financial Officer
		FIN 4	MK 4	To ensure compilation of a credible Annual Financial Statements	Monitor the preparation of Annual Financial Statements to ensure credibility	Date that Municipal Manager received unqualified report	New	31-Dec	31-Dec	Achieved	N/A	N/A	N/A	Institutional	Auditor Generals Reports	Chief Financial Officer
		FIN 5	MK 4	To ensure complete Fixed Assets Register	Monthly reports on Fixed Asset Register reconciliation with General Ledger prepared	Number FAR reconciliation performed and signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Monthly FAR reconciliation signed by the Chief Financial Officer	Chief Financial Officer

		FIN 6-1	MK 4	To improve Municipal income control	Quarterly age analysis reports prepared and submitted to Council	Number of Age analysis reports submitted to Council	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Reports and council resolution	Chief Financial Officer
		FIN 6-2	MK 4		Increased percentage of debts collection rate	% Collection: Amount collected / sales raised	70%	70%	70%	Achieved	N/A	N/A	N/A	Institutional	Reports and collection rate calculation	Chief Financial Officer
		FIN 7	MK 4	Maintain the Municipal liquidity position at 1:6	Prepare quarterly reports on cost coverage ratio Ratio [All available cash at a particular time) + (Investments)- Conditional grants)/ Monthly fixed operating expenditure)	Number of reports submitted to finance portfolio committee on cost coverage ratio	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Report submitted signed by the Chief Financial Officer	Chief Financial Officer
		FIN 8	MK 4	Liquidity Management	Prepare and submit monthly Reconciliation of grants income	Number of monthly reports on reconciliations of grants income signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Monthly grant reconciliation signed by the Chief Financial Officer	Chief Financial Officer
		FIN 9	MK 4	To ensure that VAT is accounted for	Prepare monthly Vat Reconciliations	Number of monthly VAT 201 prepared and signed by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Monthly VAT 201 signed by the Chief Financial Officer and proof of submission to SARS	Chief Financial Officer
		FIN 10	MK 4	To Ensure that the System of Internal Control is working effectively within the Payroll Section	Prepare and submit monthly Payroll Reconciliation to Senior Management	Number of Monthly payroll Reconciliation reports and signed off by the Chief Financial Officer	12	12	12	Achieved	N/A	N/A	N/A	Institutional	Monthly Payroll reconciliation signed by the Chief Financial Officer	Chief Financial Officer

		FIN 11-1	MK 4	To ensure functional EPWP Programmes	Spend 100% of the EPWP allocation by End of June 2019	Report on Percentage spent on EPWP allocation	100%	100%	100%	Achieved	N/A	N/A	N/A	Institutional	Quartely report on EPWP expenditure and EPWP register	Community Services Manager
		FIN 11-2	MK 4		Prepare and submit financial reports on EPWP allocation spending	Number of financial reports on % Spent on EPWP allocation submitted to Public Works	4	12	12	Achieved	N/A	N/A	N/A	Institutional	Report and proof of submission	Chief Financial Officer
		FIN 12	MK 4	To Invest in the Development of the Municipality through Revenue Enhancement	Revenue generated Through learners licensing	Report on Amount of revenue Generated Through learners and Driver's licensing	R2m	R4m	R4 901 008	Achieved	N/A	N/A	N/A	Institutional	Reports signed by the Community Services Manager	Executive Manager Community Services
		FIN 12-1	MK 4		Prepare and submit reports Revenue generated through Learner Licensing	Number of quarterly reports on learners licensing revenue generated submitted to finance portfolio committee	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Quaterly Reports	Executive Manager Community Services
		FIN 12-2	MK 4		Revenue generated Through Motor Licensing	Report on Amount of revenue Generated Through Motor Licensing	R3m	R1.2M	R1 552 924	Achieved	N/A	N/A	N/A	Institutional	Reports signed by the Community Services Manager	Executive Manager Community Services
		FIN 12-3	MK 4		Prepare and submit reports Revenue generated through Motor Licencing Licensing	Number of quarterly reports on motor licensing revenue generated submitted to finance portfolio committee	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Reports	Executive Manager: Admin and Corporate Services
		FIN 13	MK 4	To practice sound financial management principles	Submit Reports to the Finance Portfolio Committee on a quartely basis	Number of Finance Committee Report Submitted	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and Finance Committee attendance register	Chief Financial Officer

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		FIN 14-1	MK 4	To improve expenditure management	% of the capital budget actually spent on capital projects	% Spent (Total spending on capital projects / Total capital budget) x 100 on capital projects	100%	100%	100%	Achieved	N/A	N/A	N/A	Institutional	MIG Implementation Plan and proof of payments	Executive Manager Technical Services
		FIN 14-2	MK 4		Prepare and submit financial reports on capital budget (MIG) allocation spending	Number of financial reports on % Spent on capital budget (MIG) allocation submitted to finance Portfolio committee and COGTA	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Proof of Submission to COGTA and Treasury	Chief Financial Officer

KEY PERFORMANCE AREA: GOOD GOVERNANCE

OUTPUT 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING; PLANNING AND SUPPORT OUTPUT 5: DEEPEN DEMOCRACY THROUGH A REFINED WARD OUTCOME 9: A RESPONSIVE, ACCOUNTABLE, EFFECTIVE AND EFFICIENT LOCAL GOVERNMENT SYSTEM	GG 1	MK 3	To implement and maintain effective enterprise risk management system	Functional Risk Management through risk committee meetings	Number of quarterly risk management meetings held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and register	Municipal Manager
	GG 2-1	MK 3	To provide reasonable assurance on the adequacy and effectiveness of internal control system	Prepare and approve the internal audit plan	Date Audit Plan approved by Audit Committee	01-Mar-18	30-Jun-19	19-Jun-19	Achieved	N/A	N/A	N/A	Institutional	Audit Plan	Municipal Managers Office
	GG 2-2	MK 3		Implementation of the Internal Audit Plan	Number of quarterly Internal Audit Reports produced and submitted to the MM and Audit Committee	4	4	7	Achieved	N/A	N/A	N/A	Institutional	Reports	Municipal Managers Office
	GG 2-3	MK 3		Review and submit audit charter to the audit committee for approval	Date of approval of the Internal Audit Charter by Audit Committee	30-Jun-17	30-Jun-19	19-Jun-19	Achieved	N/A	N/A	N/A	Institutional	Signed Internal Audit Charter	Municipal Managers Office

		GG 2-4	MK 3		Review and submit the Performance and Audit Committee charter	Date of approval and adoption of the Performance and Audit Committee charter by Council	30-Jun-17	30-Jun-19	27-Jun-19	Achieved	N/A	N/A	N/A	Institutional	Council resolution and audit charter	Municipal Managers Office
		GG 3-1	MK 3	To ensure and effective Audit and Performance Committee	Coordinate and hold the Audit Committee Meetings	Number of quarterly Audit Committee Meetings Held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and attendance registers	Municipal Managers Office
		GG 3-2	MK 3		Coordinate and hold performance Audit Committee Meetings	Number Performance Audit Committee Meetings Held	2	2	2	Achieved	N/A	N/A	R50 000	Institutional	Minutes and attendance registers	Municipal Managers Office
		GG 4-1	MK 3	To transform the municipality into a performance driven institution	Signing of annual performance agreements for Senior Managers	Number of Performance Agreements Signed	5	5	5	Achieved	N/A	N/A	N/A	Institutional	Appointment letters and Contracts signed	Municipal Managers Office
		GG 4-2	MK 3		Quarterly Performance Reports on achieved and not achieved targets submitted to Council	No of quartely Performance Reports Submitted to Council	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Quarterly PMS Report and Council Resolution	Municipal Managers Office
		GG 4-3	MK 3		Conduct performance appraisals for section 56/57	Number of Section 56/57 employees appraisals conducted by Evaluation Panel	6	5	0	Not achieved	Assessment wqas done in Q1 of 2019/2020 financial year, which was due to he unvailibity of the panel	Assessments were conducted on the 18/07/2019	R10 000	Institutional	Appraisals report and Council resolutions	Municipal Managers Office

		GG 4-4	MK 3		To ensure that the mid-year Performance Report is prepared and submitted	Date of submission of Mid Year Performance report Date Submitted to Council, COGTA, Provincial and National Treasury	28-Feb-18	25-Jan-19	25-Jan-19	Achieved	N/A	N/A	N/A	Institutional	Mid year performance reports and Council resolutions	Municipal Manager
		GG 4-5	MK 3		To ensure that the mid -year Budget Report is prepared and submitted	Date of submission of mid-year budget report Date Submitted to Council, Provincial and National Treasury	30-Jan-18	25-Jan-19	25-Jan-19	Achieved	N/A	N/A	N/A	Institutional	Mid year performance reports and Council resolutions	Chief Financial Officer
		GG 4-6	MK 3		To prepare and table the draft Annual report to Council	Date annual report tabled to Council	30-Jan-18	31-Jan-19	31-Jan-19	Achieved	N/A	N/A	R 300 000	Institutional	Draft reports and Council Resolution	Municipal Manager
		GG 4-7	MK 3		Coordinate the Oversight committee meeting to consider the adoption of the annual report	Date of Oversight Committee Meeting to review the AR	31-Mar-18	31-Mar-19	31-Mar-19	Achieved	N/A	N/A		Institutional	Register and minutes	Municipal Manager
		GG 4-8	MK 3		Oversight Process Facilitated and Adopted	Date of Oversight report adopted by council	31-Mar-18	31-Mar-19	31-Mar-19	Achieved	N/A	N/A		Institutional	Oversight report and Council resolution	Municipal Manager
		GG 4-9	MK 3		To finalise and adopt Annual Report	Annual Report adopted by Council	31-Mar-18	31-Mar-19	31-Mar-19	Achieved	N/A	N/A		Institutional	Annual report and Council resolution	Municipal Manager
		GG 5	MK 3	Ensure Functional Public Municipal Accounts Committee	Coordinate Municipal Public Accounts Committee meetings	Number of quarterly Municipal Public Accounts Committee Meetings Held	4	4	4	Achieved	N/A	N/A	R6 000	Institutional	MPAC Minutes and Register	Municipal Manager

		GG 6	MK 1	To ensure continuous engagement with ward constituency	Coordinate and hold monthly Ward Committee meetings	Number of Ward Committee Meetings held	84	84	62	Not achieved	A number of of ward committee meetings did not sit due to quorum not corating.	Speaker and AMM are addressing non performance by ward committees.	R1 040 000	Institutional	Registers and minutes	Executive Manager: Corporate Services
		GG 6-1	MK 1		Submit Consolidated Ward reports to the Office of the Speaker	Number of quarterly reports submitted to Office of the Spaeker	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Report submitted to the Office of the Speaker	Executive Manager: Corporate Services
		GG 7	MK 3	To support and maintain user Departments with ICT requirements	To monitor implementation of the ICT Governance Framework through the ICT Steering Committee	Number of quarterly ICT Steering Committee meetings	4	4	2	Not achieved	The target was not achieved due to the fact that some of the planned meetings had to be postponed due to unplanned activities related to elections	Management will ensure that project plans allow for unforeseen and unavoidable circumstances.	N/A	R30 000	Register and minutes	Executive Manager:Admin and Corporate Services
		GG 8	MK 3	To Improve Performance and functioning of the municipality	Coordinate Meetings of Council	Number of monthly Full Council Meetings Held	11	11	11	Achieved	N/A	N/A	R40 000	Institutional	Minutes and registers	Executive Manager:Admin and Corporate Services
		GG 8-1	MK 3		Coordinate Meetings of Executive Committee	Number of monthly Executive Committee Meeetings Held	11	11	11	Achieved	N/A	N/A		Institutional	Minutes and registers	Executive Manager:Admin and Corporate Services
		GG 8-2	MK 3		Ensure that the Infrastructure Portfolio Committee meetings are convened	Number of Infrastructure Portfolio Committee Meetings Held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and attendance registers	Executive Manager:Admin and Corporate Services

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		GG 8-3	MK 3		Ensure that the Finance Portfolio Committee meetings are convened	Number of Finance Portfolio Committee Meetings Held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and attendance registers	Chief Financial Officer
		GG 8-4	MK 3		Ensure that the Admin and Community Services Portfolio Committee meetings are convened	Number of Admin and Community Services Portfolio Committee Meetings Held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and attendance registers	Executive Manager:Admin and Corporate Services
		GG 8-5	MK 3		Coordinate Meetings of Local Labor Forum	Number of quarterly Local Labour Forum meetings Held	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Minutes and registers	Executive Manager:Admin and Corporate Services
		GG 9	MK 3	To ensure that the community is well informed of the Municipal Activities	Promote maximum participation by all communities and stakeholders	Number of public engagements conducted	2	2	7	Achieved	N/A	N/A	N/A	Institutional	Attendance Registers	Executive Manager:Admin and Corporate Services
		GG 10	MK 3	To ensure functionality of the uMgungundlovu Economic Development Agency	To coordinate meetings with uMgungundlovu Economic Development Agency	Number of quarterly meetings held with UMEDA or Development Stakeholders	New	2	4	Achieved	N/A	N/A	N/A	Institutional	Registers	Manager Community Services
		KEY PERFORMANCE AREA : CROSS CURRING ISSUES														
OUTPUT 7: SINGLE WINDOW OF	OUTCOME 9: A RESPONSIVE,	CC 1	MK 2	To Facilitate spatial development in the entire area of Mkhambathini Municipality	Turnaround time to finalisation of PDA Application	Turn Around Time for finalising PDA applications	3 Months	3 Months	3 Months	Achieved	N/A	N/A	N/A	Institutional	Register of received applications and letter of approval	Manager Technical Services

CC 2	MK 2	To ensure that Planning and Development Priorities of the Municipality are accounted for	Submit Report on Planning and Development Issues of the Municipality to the INFR Portfolio Committee	Number of Planning and Development Report Submitted to the INFR. (Technical) Committee	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Reports and INFR. Committee minutes	Manager Technical Services
CC 3	MK 2	To Facilitate and review the Spatial Development Framework	Review and Submit SDF to Council for Adoption	Date SDF adopted by Council	new	31-Dec-18	27-Jun-19	Not Achieved	The target was actually scheduled for the tabling of the Draft SDF which went to Council on 24 January 2019.	Infuture projections for such strategic documents will focus on the final draft not projection.	N/A	Institutional	SDF and Council resolution	Manager Technical Services
CC 4	MK 2	To promote effective and efficient building control services	Conduct inspection and submit quarterly reports	Number of quarterly inspection reports submitted to portfolio committee	New	4	4	Achieved	N/A	N/A	N/A	Institutional	Inspection reports and building approvals	Manager Technical Services
CC5-1	MK 2	To provide support on disaster management services	Disaster Management Plan Developed and approved	Date of Disaster Management Plan Approved by Council	31-Dec-16	30-Jun-19	27-Jun-19	Achieved	N/A	N/A	N/A	Institutional	Council resolution and Disaster Management plan	Community Services
CC 5-2	MK 2		Disaster Management Advisory Forum	Number of of Disaster Management Advisory Forum meetings held	4	2	3	Achieved	N/A	N/A	N/A	Institutional	Attendance registers or minutes	Community Services
CC 5-3	MK 2		Disaster Management Awareness Campaigns	Number of Disaster Management Awareness campaigns held	2	2	2	Achieved	N/A	N/A	N/A	Institutional	Registers and correspondence	Community Services
CC 6	MK 2	To ensure integrated housing development within the municipality	Coordinate and hold meetings with developers and Department of Housing	Number of quarterly Housing Meetings Held with developers and Department of Human Settlement	4	4	4	Achieved	N/A	N/A	N/A	Institutional	Attendance register, minutes & section report	Technical Services

		CC 7-1	MK 2	To ensure integrated development within the municipality	Develop and approve the IDP/ PMS Process Plan	Date of Adoption of IDP Process Plan by Council	30-Aug-18	30-Aug-18	29-Aug-18	Achieved	N/A	N/A	N/A	Institutional	Process plan and council resolution	Municipal Manager
		CC 7-2	MK 3		Prepare and adopt draft IDP	Date of Adoption of Draft IDP	28-Mar-18	31-Mar-19	28-Mar-19	Achieved	N/A	N/A	R 900 000	Institutional	Draft IDP and Council Resolution	Municipal Manager
		CC 7-3	MK 3		Coordinate the IDP Representative Forum meetings	Number of IDP Representative Forum meetings held	3	3	1	Not achieved	The non-achievement was partly linked to overstatement of the target which was supposed to be 2. Furthermore, only one was not achieved due to changes at the District.	Correct planning will be ensured in the future.		Institutional	Minutes and registers	Municipal Manager
		CC 7-3	MK 3		To ensure that the IDP is completed and adopted by Council	Date of Adoption of Final IDP	30-Jun-17	30-May-19	27-Jun-19	Achieved	N/A	N/A	N/A	Institutional	IDP and Council Resolution	Municipal Manager
		CC 8-1	MK 4	To review the Budget and Reporting processes	Develop and approve the Budget timetable	Date Adoption of Budget timetable by Council	30-Aug-18	30-Aug-18	29-Aug-19	Achieved	N/A	N/A	N/A	Institutional	Process plan and council resolution	Chief Financial Officer
		CC 8-2	MK 4		Prepare and adopt draft budget	Date Adoption of Draft budget	30-May-18	31-Mar-19	28-Mar-19	Achieved	N/A	N/A	N/A	Institutional	Draft Budget and Council Resolution	Chief Financial Officer
		CC 8-3	MK 4		To ensure that the budget is completed and adopted by Council	Date of Adoption of Final budget	28-Feb-18	30-May-19	30-May-19	Achieved	N/A	N/A	N/A	Institutional	Final Budget and Council Resolution	Chief Financial Officer
		CC 8-4	MK 4		To ensure that the adjustment budget is completed and adopted by Council	Date of Adoption of adjustment budget	28-Feb-18	28-Feb-19	28-Feb-19	Achieved	N/A	N/A	N/A	Institutional	Adjustment Budget and Council Resolution	Chief Financial Officer

