

# ÉDUMBE LOCAL MUNICIPALITY



## ANNUAL REPORT 2015/2016 FINANCIAL YEAR

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# CHAPTER 1

## MAYOR'S FOREWORD AND EXUCUTIVE SUMMARY



## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: 1.1.MAYOR’S FOREWORD



#### **1. FOREWORD BY THE MAYOR**

This financial year is my last year reporting as a Mayor to people of eDumbe. However let me take this opportunity together with the Council to thank the people of eDumbe whole heartedly for affording us the opportunity to lead the municipality for a period of five years. I will also extend my gratitude thanks to the management and staff of eDumbe for being the agency of change in our Municipality. One of the pillars of Democratic governance is good governance which is strictly uncorrupted, transparent and cares for its clients. I am delighted to say that as Council, we tried our level best to regard people of eDumbe municipality as our clients. It is very crucial to always refer to this in order to accomplish the constitutional mandate of the eDumbe Municipality as prescribed in the constitution of South Africa. This is a time of reporting to the community, our achievements and short comings in the reporting year. The municipality has also indicated corrective measures together with people of eDumbe to non-achieved targets. The municipality is subscribed to the principle of accountability and democracy since they are the main objectives of local authorities. So this report is based on the two principles I have mentioned.

This year we have seen a content improvement of our governance and services delivery, it is impressing that the community is gradually growing in terms of understanding the operations of the municipality even though there are still some challenges. In the last three years we started engaging with the community on the subject of governance process and

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budget processes. And in the reporting year I am really delighted to note that there are areas of improvement on the understanding. This is also evident on the level of tolerance in the whole municipal area and even on different political parties.

### **ADMINISTRATION SUSTAINABILITY**

I also wish to appreciate the political leaders in the municipal area of eDumbe for putting people first and for considering prioritizing the needs of the people over their political parties. When you visit all the wards people are talking about similar issues which are; Roads, Electricity, Town Development (Shopping Mall) water, Water borne sewerage system and business development. These are the same issues which are at the top priority list of the municipality. We are busy with Zululand District Municipality looking at the issue of water borne sewerage system in our municipality and we have also engaged Cogta in this regard.

As a political head of this institution I wish to applaud the Speaker of Council for making sure that the council sit and consider all items on the agenda, to afford all councilors an opportunity to deliberate on the items without any prejudice.

To also appreciate the support and advice from the Deputy Mayor, it is very important to have somebody who understands his role like my deputy Mayor. The Hon Deputy Mayor has been since joining the municipality supportive and he knew when to assume responsibility of a mayor. Our Executive Member who has always objective and able to link our programmers with the provincial programmers and the MPAC Chairperson and the whole committee who has been very vocal on issues of good governance and financial administration on the municipality, our MPAC has changed its operations since the new Chairperson was elected by the Council. This committee did not wait till the last day to sit for the compliance matters. The Council as a whole I am glad to say that this is a developing council and has an interest of people at heart.

The Municipality has only one vacancy in senior management position which indicates sustainability in our management. During 2015/2016 financial, the municipality has managed to acquire the service of Director Planning and Director Technical. This appointment will ensure the sustainability in terms of administration and management; however we regret to report that Director Corporate has been appointed at Uphongolo Municipality.

### **GOOD GOVERNANCE**

This financial year we have experienced an improvement in our governance systems one will remember that in the last report it was noted that we are short of policies more especially on IT and the implementation of the existing policies. This time around we have approved 16 policies and have exceeded our target of approving 13 policies. We have also used effectively the IGR Structure and Treasury and have also implemented the credibility of the information by making it a

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standing item on our Exco and Council agenda which check the credibility and reliability of the information on the agenda.

We have also updated our financial policies as per the MFMA.

### **PUBLIC PARTICIPATION**

We have sustained our principle on the active participation of the community on the municipal programmes. We have conducted 18 IDP izimbizo to ensure that the community understand the plans of the municipality and approve those plans. We have also deployed our entire senior managers and managers to the war rooms; we enjoy the support of the Office of the Premier through Sukuma Sakhe initiative.

### **BASIC SERVICE DELIVERY**

Based on our commitment we have been playing a very active oversight role to ensure the flow of service delivery to our people. We have noticed that there is a slow movement of projects and we made our intervention to the municipal manager which resulted to the appointment of the service provider to do a programme management of all our projects.

In 2013/2014 financial year, we started with the refurbishing of our town roads which are still a challenge because the budget we get from treasury is not enough. In 2014/2015 financial year, we continued focusing on Regravelling roads in our surrounding rural areas and construction of causeways and we could not finish our roads and causeways. This financial year (2015/2016) we completed the following projects.

- Mahlosana 1.25km road regravelled
- Ophuzane 1.5km road regravelled
- Mangosuthu 3.6 km road regravelled
- Bilanyoni 700 m road regravelled
- Fencing Tholakele Cemetery
- Brech Crèche
- Madulini Crèche
- KwaGamakazi Hall
- Rehabilitated Taxi Rank
- 2 Bilanyoni High Masts

In 2013/2014 financial year we promised that we shall remove livestock on our roads in town by building animal pound. In 2014/2015 financial year the pound was constructed and pound caretaker was also appointed but there is still a challenge for our pound to be more operational because we still need to gazette our by-laws. The formalization of Mangosuthu Township which we reported in 2013/2014 financial year is still on pipeline, this will include a lot of public participation and public education complying with the site designs and payment of services.



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## **ELECTRICITY**

Our first priority was to close the phase 3 project, which would then unlock the funding opportunities for new electrifications. Further to that we mandated the Municipal Manager to consider appointing the consultants on risk to source funds for expanding the electrification to other areas. This has borne fruits since the Phase 3 has been officially closed and the Department of Energy has allocated an amount of R5 Million to start a new project which is underway.

### **Community Participation**

We have finally elected ward committees in all our wards. We have approved a budget to train the ward committees and launch them as required by COGTA. We have also increased our budget on out of pocket fees for the ward committees to R400.00 from R250.00. It is exciting that all ward committees are fully operational even though we have not yet trained them but the guidance that was given to them make them function properly. As it has been indicated above that we have been working with the ward committees in IDP, Izimbizo and in maintaining gravel roads, we had meetings with Amakhosi and they have an office allocated to them in the municipal building.

### **WOMEN**

As started in the last report all wards have established the women committees to ensure the representation of women in the community and to allow them to have exclusive programmes. From the ward structures we have established the women's forums.

### **SPORT**

We continue to shine and to dominate in the District. We had our teams being nominated to represent the District at the SALGA Games 2012. We have also seen our players receiving awards in the Department of Sport under Zululand Region, including our officials as most supporting municipality.

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## **OPERATION SUKUMA SAKHE**

We continue to see this unit doing well in issues of war rooms and HIV/Aids prevention awareness. We are also doing well even the province has applauded us in this regards. EDumbe Municipality has 10 war rooms which indicate more than 100% establishment and functioning. We have activities that are running monthly.

### **FINANCIAL STABILITY**

#### **SCM**

Our SCM is operating well with all the required Bid Committees which support its functioning as per treasury regulations and the MFMA. Yes there are minor shortfalls but we are building up towards full compliance and elimination of fraud. We have been ensuring that all the procurement processes are adhered too. Our Finance Portfolio Committee has been working very hard in ensuring that the SCM policies are implemented and we acknowledge the efforts of the CFO in monitoring these processes.

### **REVENUE COLLECTION**

We have reviewed the following policies/strategies revenue as a tool to help us collect more money:

- Property Rates Policy.
- Tariffs Policy.
- Revenue Enhancement Policy.

We are billing but the collection is not justifiable hence we need to put more man power in this section. We also acknowledge the fact that we are losing more money on the electricity losses which is in two folds, illegal connection and technical loss however the municipality has appointed the service provider to install new smart meters that will help the municipality to collect more revenues.

### **DEBT MANAGEMENT**

This is supported by the above deliberation and we are expecting changes due to the staff allocated in the billing section. We are considering deploying more staff on the debt collection unit to reduce the debt list. We have noticed that some debts are irrecoverable and very old. The reasons for them being irrecoverable are incorrect

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information of debtors like addresses, owners, and indigents who are unable to pay their debts. We are considering to do more exercise to identify and separate the debtors into categories, which will be recoverable, indigents, and correct the register for owners. The municipality has also approved the Credit Control and Debt Collection Policy.

#### **FUTURE ACTIONS**

In the five year cycle of our IDP we will be committing all our efforts to ensure that eDumbe is no longer the same again. We are still continuing with the process of engaging the Zululand District Municipality, Department of Water Affairs and Department of Cooperative Governance and Traditional Affairs to change the old sewerage system to water borne sewerage system .This is a hard exercise as we are experiencing drought but we are optimistic that as soon as the whole project is complete, it will unlock economic developments in this area. As a municipality a lot has been done to promote housing delivery and LED projects.

#### **CONCLUSION**

Lastly on behalf of Council of eDumbe I would like to extend a word of gratitude to the members of the communities we serve for confidently entrusting their plight on our shoulders for the development of eDumbe and we assure them that we are, together going to continue working hard to create a caring, strong and a vibrant eDumbe. I thank all internal and external stakeholders who continue to participate in all efforts to make eDumbe a better place to live in.

Yours in Service Delivery

*Cllr B.M Nxusa*

**HIS WORSHIP THE MAYOR OF EDUMBE LOCAL MUNICIPALITY**

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## COMPONENT B: 1.2.EXECUTIVE SUMMARY

### BY MUNICIPAL MANAGER



In terms of Section 121 of the Municipal Finance Management Act (MFMA) read together with Section 46 of the Municipal Systems Act 32 of 2000 regulates the manner in which the Accounting Officer should prepare both the Annual Report and the Annual Performance Report. In compliance with the above mentioned sections of legislation, it is indeed an honor and privilege for management to join His Worship the Mayor, our political head, the Honorable Speaker and the entire Council to present this annual report to all our stakeholders.

During the 2015/16 financial year the eDumbe Local Municipality continued to conduct its planning and business operations in line with the five national KPA's including the sixth provincial KPA which are as follows:

- Basic Service Delivery and Infrastructure
- Local Economic Development
- Financial Viability and Management
- Institutional Development and Transformation
- Good Governance and Public Participation
- Spatial Planning and Environmental Management

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The Municipality performed its duties as required in terms of section 155 of the Constitution and Chapter 3 of the Municipal Systems Act 32 of 2000.

Management would like to take this opportunity to thank to thank the Council, EXCO, the Audit Structures, MPAC, as well as staff members for their continued dedication and alertness to the work beforehand and all other external partners such as: Provincial Treasury, COGTA, the Auditor-General and other key sector partners who worked with us in 2015/2016 financial year.

In conclusion management hereby presents the 2015/2016 Annual Report as a reflection of all the activities that were carried out by eDumbe Local Municipality during the year under review.

**TV Mkhize**  
**MUNICIPAL MANAGER**

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## 1.3. Municipal Overview

### 1.3.1. VISION, MISSION AND CORE VALUES

#### VISION

“By 2030 éDumbe will be a livable, economically progressive municipality and a gateway to KwaZulu-Natal.”

#### MISSION

“ÉDumbe Municipality seeks to create a healthy, safe environment with economically active communities through promotion of sustainable infrastructure development while unlocking agricultural and tourism potential.”

#### CORE VALUES

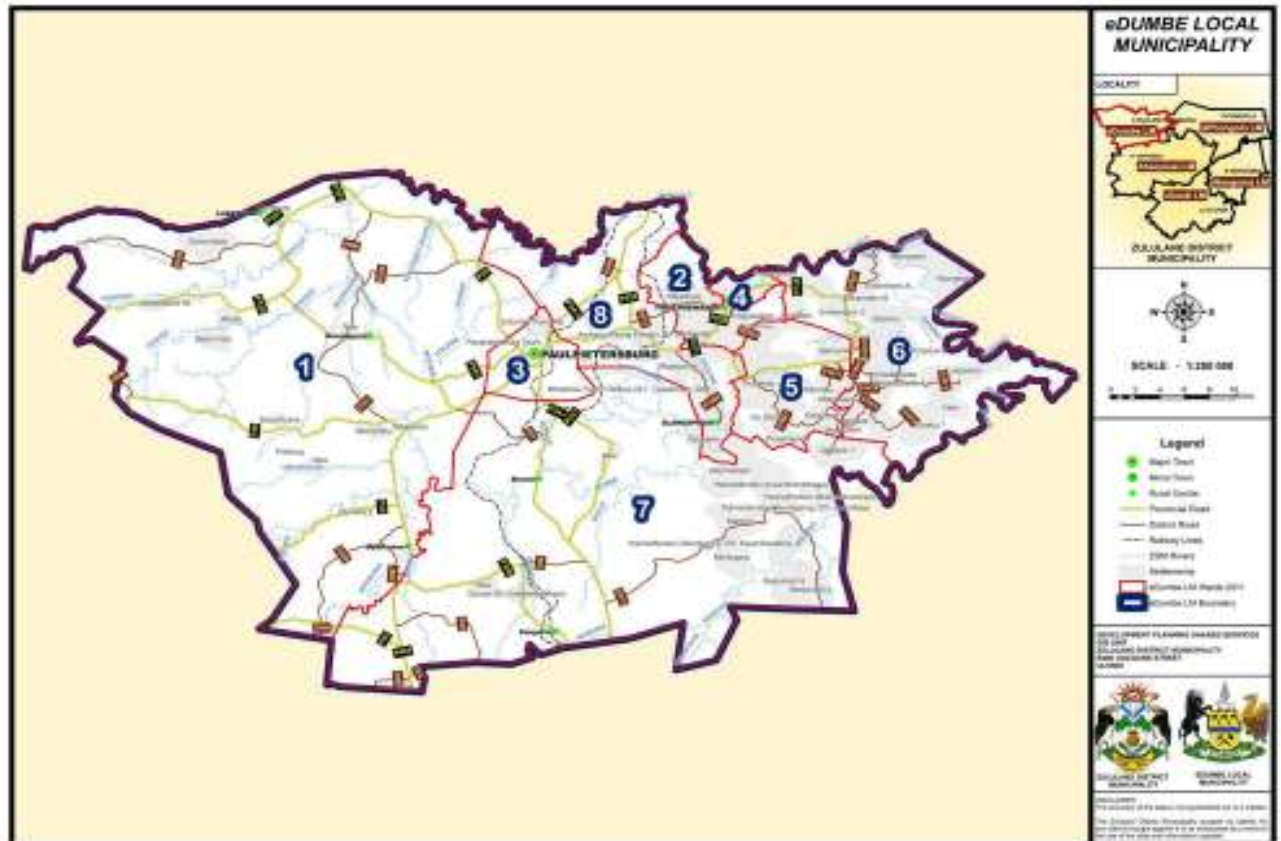
The éDumbe Municipality aims to achieve its primary function and justify its existence as a Local Municipality by prescribing to the following core values:

- **Transparency:** Foster full public participation in all its processes and welcome all comments and enquiries.
- **Service Delivery:** Strive on a day-to-day basis to provide for its people
- **Efficiency:** Work and deliver to our best potential and capability
- **Transformation:** Try to adapt and change to a situation that is in the best interest of the people

### MUNICIPAL OVERVIEW

éDumbe Municipality is one of five Category B Municipalities within the Zululand District. It is located on the north of the province of KwaZulu-Natal. éDumbe forms the southern end of Zululand District and the province of KwaZulu Natal. It is bounded by Abaqulusi and UPhongolo Municipalities to the south and the east within the District (Zululand Municipality), with Emadlangeni Municipality of Amajuba District Municipality to the west, and bordered by Mkhondo Local Municipality, Mpumalanga Province in the immediate north.

éDumbe Municipality, covers a geographical area of 1 947 km<sup>2</sup> of KwaZulu-Natal, is home to a population of about 82 053, and is demarcated into 8 wards which is predominantly rural in nature. Furthermore, the éDumbe Municipal area comprises of 52 settlements in total, which includes 48 dispersed rural settlements, 3 urban areas and one major town.



## DEMOGRAPHIC CHARACTERISTICS

Demographics concern human populations - their sizes, compositions, distributions, densities, growth, and other characteristics, as well as the causes and consequences of changes in these factors. Demography is the basis of all planning activities and developmental processes, and has important implications for policymakers in both the public and private.

Reliable demographic analysis depends on good and current data. This has been and continues to be one of the major challenges for municipalities in South Africa. Detailed and comprehensive data is only available via the national census processes which have defined timeframes, with the last census being 2001 and the next one done in 2011 (data expected to be available in 2013).

## POPULATION GROWTH

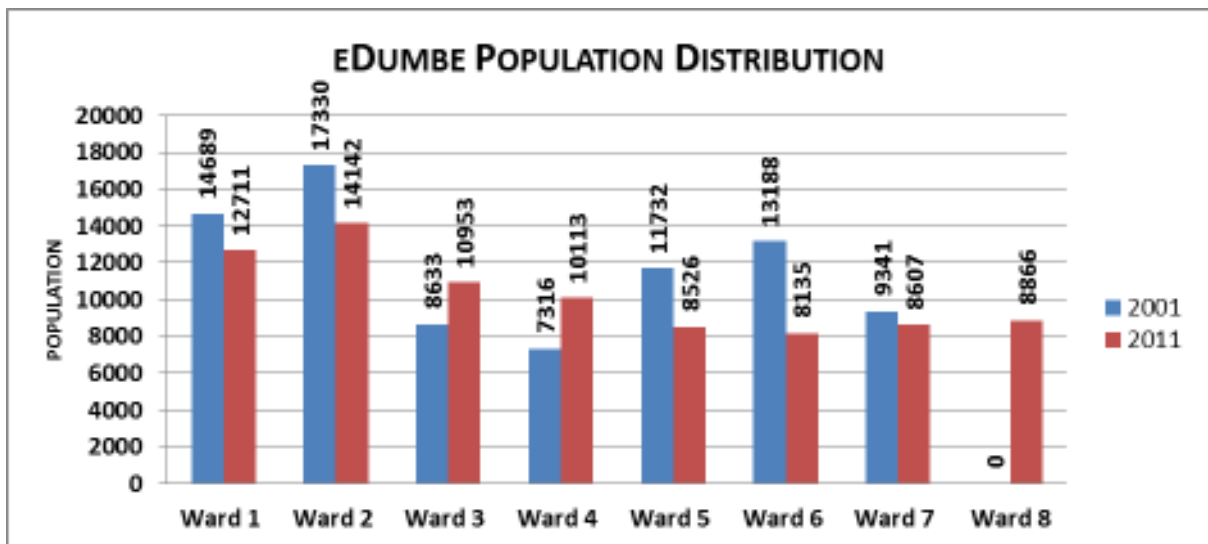
Table 1: Population Growth from 2004 to 2011

Municipality	2004	2005	2006	2007	2008	2009	2010	2011	% Share of ZDM in 2011
ÉDumbe	82,143	81,877	81,195	80,230	79,238	79,208	79,466	82,053	9.79%

## POPULATION DISTRIBUTION

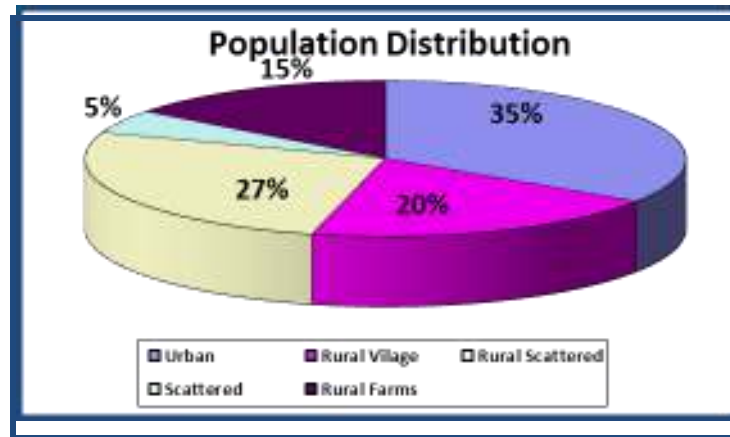
A further breakdown in terms of population distribution of éDumbe area is provided in the table and diagram below.

Table 1: Population Distribution





**Figure 2: Population Distribution**



The above table and the diagram shows that only 26% of the municipality’s population lives in an urban areas while 74% lives in the rural surroundings of the municipality in a form or rural village, spread and farms. This factor has severe implications on actual service delivery and the cost thereof. It also implies that the large number of the general public of eDumbe municipality is far from the formal economy with its concomitant employment opportunities. Due to the impact of HIV/AIDS which is a world concern, population growth is expected to decline over the next 20 years. This trend must be considered in the planning and delivery of new services.

**HOUSEHOLDS**

**NUMBER OF HOUSEHOLDS**

**Table 1**

Ward Nr.	Councillor	Area (Sq. km)	Households	Population	Settlements
1	ClIr Thela	776.227	1 952	13 201	14
2	ClIr Nhlabathi	47.125	3 275	22 149	3
3	ClIr Mbatha	39.610	2 610	17 651	3
4	ClIr Kunene	11.891	2 195	14 845	2

<b>AVERAGE</b>	5	Cllr Nxusa	76.220	1 731	11 707	7
	6	Cllr Mtshali	197.654	1 848	12 498	17
	7	Cllr Khumalo	642.933	1 475	9 975	15
	8	Cllr Simelane	151.131	1 861	• 586	6

### HOUSEHOLD SIZE

A clear observation that can be made from the table below is the decline in household sizes over the years. There are many reasons that can be the cause to such a problem such as a decrease in population, due to HIV/AIDS and migration of the locals, as well political and administration problems.

**Table 2: Average Household Size**

Municipality	2003	2004	2005	2006	2007	2008	2009	2010
eDumbe	4.99	4.95	4.92	4.90	4.88	4.86	4.85	4.84

### Pensioner Headed households

**Table 3**

eDumbe Municipality Census 2011						
AGE (years)	60-65	65-70	70-75	75-80	80-85	90-95
<b>TOTAL (%)</b>	32.4	23.6	23.6	14.1	10.4	4.9

### Child headed household

**Table 4**

eDumbe Municipality Census 2011									
Age	10	11	12	13	14	15	16	17	18

(Years)									
Total %	1.6	0.5	0.4	0.1	0.2	0.7	1.0	1.4	2.0

**Gender Ratio**

**Gender Distribution**

The following table indicates that a large population group is dominated by females with 53% of the municipality's population while males constitutes only 47%.

**Table 5**

Gender	
Male	38,447
Female	43,605
Total	82,053

The imbalance in terms of gender distribution across the area has a number of implications for planning. Some of the general planning aspects to be considered when planning under these circumstances include:

- The specific health and welfare needs of women;
- The needs of women in planning for economic development and job creation;
- Sport and cultural activities specifically relevant to this group; etc.

This will also impact on the future increase of the municipal population as the life expectancy of woman in KZN is estimated by Statistics SA to be less than 50 years and the prevalence of HIV amongst women are higher than amongst men of the same age group.

**Age Distribution**

The following diagram illustrates the age distribution in conjunction with the gender groups.

**Age Concord**

**Table 6**

Age Break Down	Males	Females
Age : 0 – 4	5702	5798
Age : 5 – 14	10845	10473
Age : 15 – 34	13563	15007

Age: 35 – 64	6920	9664
Age : Over 64	1414	2667
Total	38444	43609

Source :Census: 2011

The above table indicates the age distribution of the èDumbe population which bears implications for future planning and development and should therefore be carefully considered. Issues to be considered include:

The availability of sport and recreation facilities for a very young population;

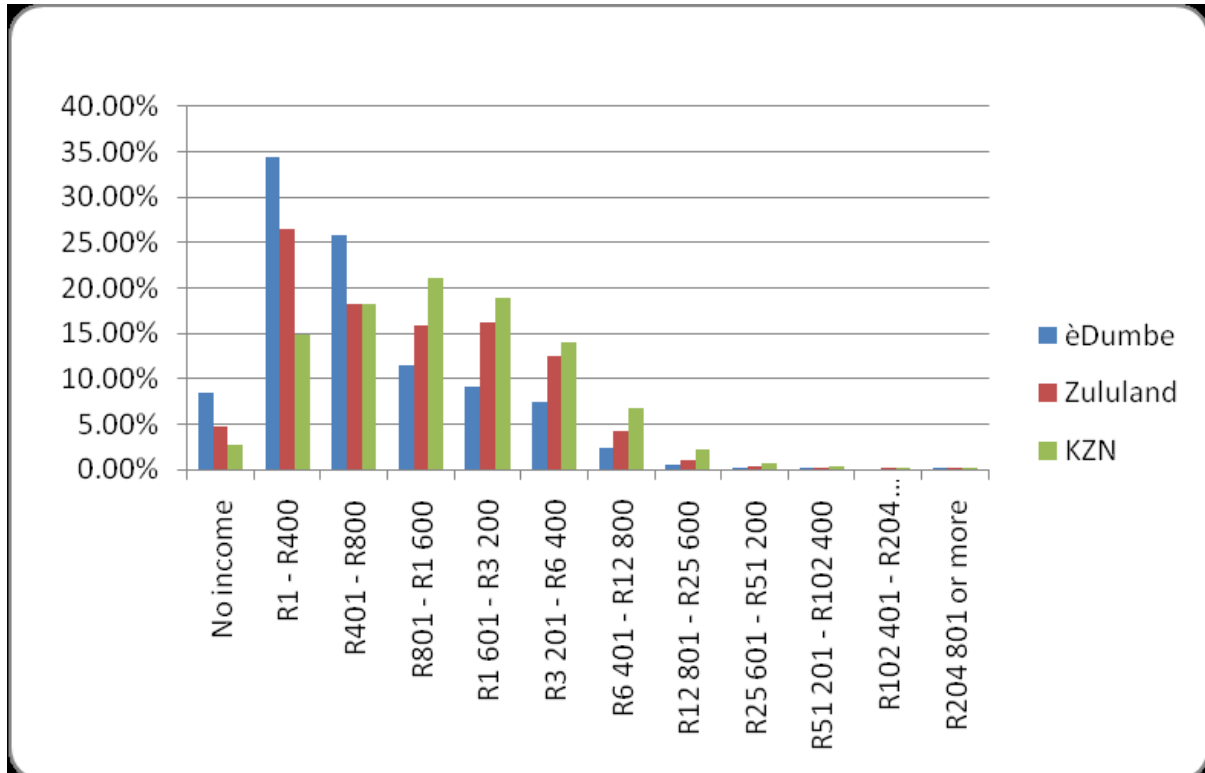
The impact of HIV/AIDS syndrome on the municipality considering the number of people entering the sexually active period of their lives;

The capacity of schools to cope with the large young population; and the expected increase in the number of job seekers in future years. This diagram also demonstrate the fact that the female population is dominating almost in all stages of life in the area of éDumbe with an exception of age 5-14 which has a very slight different which does not make any significant change. It is also imperial that the population of éDumbe is predominantly dominated by the by both male and female youth group with  $\pm 40\%$  of the total population.

#### **Income Levels**

Income levels in èDumbe tend to be quite low with 69% of the population earning less than R800 a month. This is significantly higher than both the district and provincial levels where 50% and 36% of people respectively earn less than R800 a month. These figures indicate that the majority of the population has low living standards and a poor quality of life. The table below shows the differences in income levels at Local, District and Provincial level.

Table 7



A poverty score devised by the Department of Economic Development which is based on the number of households with no income, unemployment levels, dependency ratio (total population divided by the employed) and households with an income of less than R1 600, shows that most of eDumbe falls in the medium to high poverty range. This poverty is focused in the eastern and southern parts of the municipality and is particularly severe in the Simdlangentsha region.

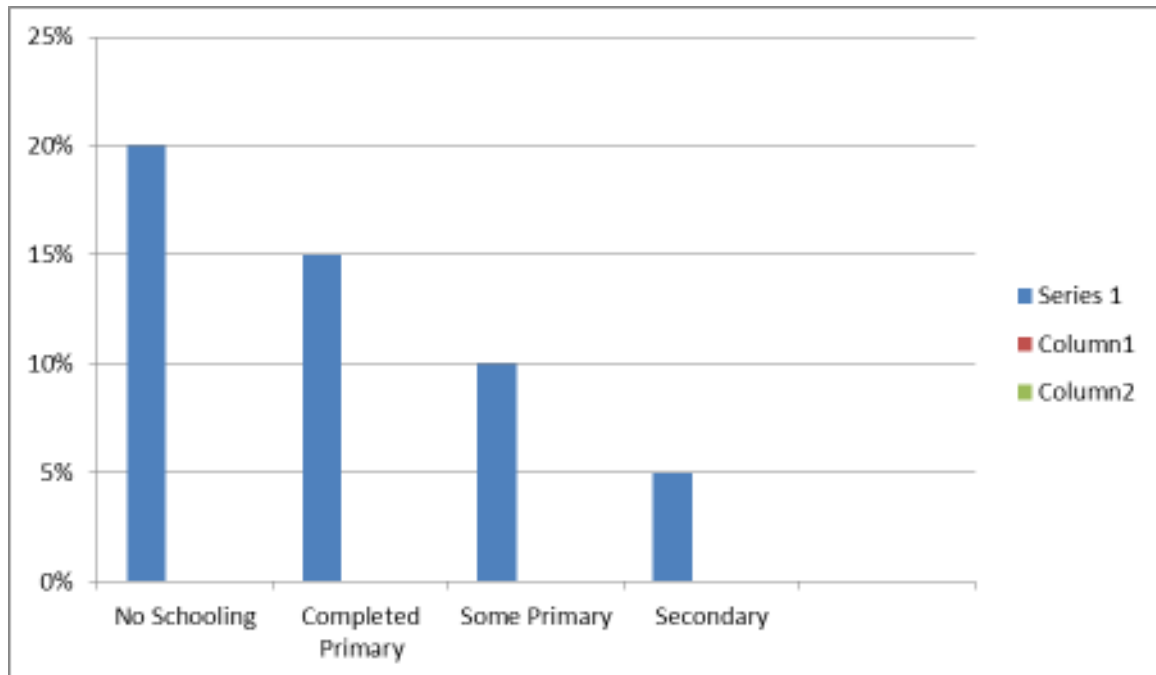
R1 600 per month is well below the amount required by households to be able to maintain a healthy and hygienic lifestyle (or household subsistence level). As would be expected income levels appear to be higher in those wards located close to the urban area of Paulpietersburg and eDumbe.

Low income levels are a direct result of low levels of employment in the municipality. According to the 2006 ZDM Data there are 13 524 unemployed people in the region. The unemployment rate is determined by expressing the number of unemployed people as a percentage of the economically active population, i.e. the total population that of working age (15 – 65) that is available for work and is either employed or unemployed. eDumbe unemployment rate is 57% according to Census 2001 data. This is very high but is representative of a broader regional problem; the unemployment rate of the Zululand District Municipality is even higher at 61%. Both of these statistics are significantly higher than KZN's 39% and points to the scarcity of employment opportunities

available in eDumbe. 46% of those who are not working in eDumbe cited being unable to find work as their major reason for being unemployed.

### Level of Education

Table 8



The diagram above indicates the generally low levels of education of eDumbe residents over 20 years. High percentage of the population has no schooling at all and only 5% have matric. These average levels are generally in line or tend to be slightly better than for the District Municipality, however they lag behind Provincial averages.

### HIV

There exists an extremely high prevalence of HIV/AIDS in the municipal area, with the estimated infection rate at approximately 25%. The high mortality rate and burden of AIDS related illness caused by this has resulted in increased socio-economic hardships of families in the municipality, mostly due to a loss of income when economically active family members are unable to work or pass away.

Table 9

Department	Responsibility/Functions	Responsible Official
<b>1. Office of the Municipal Manager</b>	The Municipal Manager is the head of the municipal administration and he/she is also the accounting	Mr. T.V.Mkhize

	<p>officer held responsible for financial management of the municipality. The role of the Municipal Manager includes but not limited to the following.</p> <ul style="list-style-type: none"> <li>• The general financial administration of the Municipality.</li> <li>• Assets and liability management.</li> <li>• Budget preparation and implementation.</li> <li>• Compliance and oversight reporting to Executive Mayor, Council, Provincial and National government.</li> </ul> <p>As the head of administration, the Municipal Manager is responsible for :</p> <ul style="list-style-type: none"> <li>• Formation of an economical, effective, efficient and accountable administration.</li> <li>• Implementation of the municipal IDP.</li> <li>• Appointment and management of staff.</li> <li>• Effective utilization and training of staff.</li> <li>• Maintenance of discipline of staff, the promotion of sound labor relations and compliance with applicable labor legislation.</li> <li>• Advise the political decision makers of the Municipality and managing communication between them and the administration.</li> <li>• Implement the decisions of the Council and Executive Mayor.</li> <li>• Administration of municipal laws and implementation of national and provincial legislation.</li> <li>• Facilitate participation of the local community in municipal affairs.</li> </ul> <p>Office of the Municipal Manager provides the momentum of the administration and integrates all the</p>	
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	components of the Municipality.	
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There are five departments reporting directly to the municipal Manager.

Department	Responsibility/Functions	Responsible Official
<p><b>2.</b></p> <p><b>Corporate Services</b></p>	<p>Corporate Services consists of 4 sections</p> <ul style="list-style-type: none"> <li>• Administration</li> <li>• Human Resource</li> <li>• Information Technology</li> <li>• Public Safety.</li> </ul> <p>The main objectives and functions of Corporate Services department include the following.</p> <ul style="list-style-type: none"> <li>• To ensure that effective and efficient services are rendered by the municipality.</li> <li>• To ensure that citizens are satisfied with the quality of services delivered by the Local Municipality.</li> <li>• To ensure that residents are aware of the activities of the municipality.</li> <li>• To ensure that residents are aware of the policies, services and activities of the municipality.</li> <li>• To ensure that the municipality's staff is diverse, representative and skilled.</li> <li>• To implement workplace skill plan within the allocated budget.</li> <li>• To provide purposeful systematic and continuous labour relations and effective and capacity building to the staff.</li> <li>• To provide secretariat to the council.</li> <li>• Implement records management practices.</li> <li>• Ensuring proper keeping of council records.</li> <li>• Ensuring that personnel receive specialized training.</li> </ul>	<p>Vacant from 01/06/2016</p>



	<p>The fully established and well functional corporate services within a municipality is of a high priority as it is the department that shares a very close relationship with the public.</p>	
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<p><b>3. Budget and Treasury</b></p>	<p>The Budget and Treasury Office is a directorate within the municipality responsible for the management, control and monitoring of municipal finances. The administrative head of finance department is Chief Financial Officer. The directorate is composed of the following sections:</p> <ul style="list-style-type: none"> <li>• Budget Planning and financial reporting.</li> <li>• Income and Revenue Management.</li> <li>• Expenditure and Salaries</li> <li>• Supply Chain Unit</li> </ul> <p><b>Budget and Financial Planning</b></p> <p>This section is responsible for the following activities.</p> <ul style="list-style-type: none"> <li>• Municipal Financial Planning ( Budget Preparation )</li> <li>• Reporting on financial affairs of the municipality in a form of annual financial statements and monthly, quarterly and annual reports as prescribed by MFMA.</li> </ul> <p><b>Income and Revenue Management</b></p> <p>This section is responsible for the following activities.</p> <ul style="list-style-type: none"> <li>• Collecting of income from all cashiering points.</li> <li>• Billing of rates and services.</li> <li>• Issuing out of clearance certificates</li> <li>• Management of the general valuation.</li> </ul> <p><b>Expenditure and Salaries</b></p> <p>This section is responsible for the following activities</p> <ul style="list-style-type: none"> <li>• Payment of creditors.</li> <li>• Payments of salaries, wages and sundries.</li> </ul>	<p>Mr S Mngwengwe</p>
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	<ul style="list-style-type: none"> <li>• Management of creditors' reconciliations.</li> <li>• Management of audit queries</li> </ul> <p><b>Supply Chain Management</b></p> <p>This section is responsible for the following activities</p> <ul style="list-style-type: none"> <li>• Implementation of the Supply Chain Management regulations and related legislation. This included demand management, acquisition management, logistics management, disposal management, contract administration and management of stores items and stationery.</li> </ul>	
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<b>4. Community Development</b>	<p>The Community department's core function is to ensure that the community is well serviced in regards to the following:</p> <ul style="list-style-type: none"> <li>• Public Participation.</li> <li>• Education ( Libraries )</li> <li>• Sports</li> <li>• Community Halls</li> <li>• Social Cohesion</li> <li>• Special Programmes</li> <li>• Waste Management</li> </ul> <p>The department is also responsible for ensuring that plans and programmes are developed to focus specifically on the youth, women, disabled and underprivileged</p>	<p>Declared vacant by Council on 13/05/2016.</p>
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<b>5. Technical Services</b>	<p>The main objectives and functions of Technical Department is to provide basic needs of the community and maintain the standard of services provided. The department focuses on the following issues:</p> <ul style="list-style-type: none"> <li>• Water and sanitation.</li> </ul>	<p>Mr S Cele</p>
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	<ul style="list-style-type: none"> <li>• Refuse removal and sewerage.</li> <li>• Electricity</li> <li>• Civil works ( roads &amp; bridges )</li> </ul>	
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6.Planning Development	<p>Planning department 's function within the municipality is to regulate and control all development in a municipality. The department is also responsible for the following sections:</p> <ul style="list-style-type: none"> <li>• Strategic Planning</li> <li>• Spatial Development</li> <li>• IDP</li> <li>• Tourism</li> <li>• Housing</li> <li>• LED</li> <li>• DPSS</li> </ul> <p>DPSS staff includes the following personnel.</p> <ul style="list-style-type: none"> <li>• Chief Planner</li> <li>• Senior Planner</li> <li>• GIS Specialist</li> <li>• Land Administrator</li> <li>• Building Inspector</li> </ul>	Mr S Ntuli
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### Opportunities

The éDumbe municipal area experiences low economic development and growth per annum but below mentioned are the areas of potential that can help the municipality grow and improve its economic development and growth.

- ÉDumbe is a gateway to KwaZulu Natal Province and it is a shorter route from Mpumalanga Province to Durban or Pietermaritzburg. In that sense it can attract as many tourists who are exploring KZN as possible.
- Its tourist attraction is highly on cultural tourism with many heritage sites including the Residence and the Grave of Mkabayi kaJama of the Zulu Nation at kwaGamakazi and the Voortrekker Park at Paulpietersburg. éDumbe can be a tourist destination based on the Zulu Heritage Route which is supported by the Zululand District.

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- It is also rich in eco-tourism, with the existence of Ithala Game Reserve, Pongola Bush Nature Reserve and Natal Spa Hot Spring and Leisure Resort.
  
  - Other tourism opportunities that have been identified include but not limited to: Hot Water Springs; Battlefields Route; Historical Buildings; Fishing Resorts; Game Farms; Engodini Crater; Traditional Areas; 4X4 Trails, and Paragliding.
  
  - Édumbe has vast mining opportunities with natural resources which can create better socio-economic environment for the people of Édumbe. There are five Mines within the Édumbe area which are currently closed down with remainders of natural resources mainly coal.
  
  - Obivane Dam which is also known as Paris Dam is currently underutilized as it has the potential to stimulate economic growth through development of Holiday Resorts, Conference Centres, Hot Water Springs and so forth.
  
  - Édumbe is known for being the home and headquarters of the international recognized brands such as Valpre Water and Ignite Charcoal.

The Édumbe municipality is located in one of the poorest and poverty stricken district municipalities in KwaZulu-Natal. (It forms part of Presidential Nodes!)

- A large rural population that depends on the nearby urban area of Paulpietersburg for commercial and public services (e.g. health, social welfare, police services etc) places pressure on the primary node because of the lack of social and economic services within the rural areas.
- Most of the rural settlements are small thus making service delivery costly, this effect is compounded by the aspect that only 35% of the municipality's population lives in an urban area while 65% lives in the rural hinterland of the municipality. The spatial development pattern of the municipality will have to be addressed.
- 53% of the population of the municipality are women. Women are assumed to be acting as household heads in the absence of partners seeking employment in other urban centres. It is also accepted that these women are more disadvantaged in terms of resources. Strategies need to be developed in order to create security for women and their dependent children.
- Close to half of the population are children, placing pressure on the need for educational and social facilities. Many of these children will be orphaned as a result of HIV/AIDS. At least 17% of the population is already infected with HIV. The severe impact on the need for health, social and welfare services over the next 20 years will have to be accommodated in the Municipalities strategy for service delivery.
- Income levels in Édumbe tend to be quite low with 69% of the population earning less than R800 a month. The traditional and rural areas are the most poverty stricken.
- The majority of the population relies on public transport facilities. This is primarily taxi based. The quality and efficiency of the public transport sector still needs attention.

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Although a large portion of the population has access to household electricity the low income levels in the municipality puts a severe restriction on the number of people actually using electricity as a primary means of energy. Electricity provision at schools and health facilities are especially critical. In the wake of the looming energy crises faced by this country it is vital that the Municipality adopts policy embracing the use of alternative energy sources for new residential and commercial development.

### **1.3.3., ORGANISATIONAL DEVELOPMENT PERFORMANCE**

#### **Introduction**

The main focus in this key performance area is the institutional and organizational capacity of municipality to perform their functions and fulfill their developmental role as stipulated in the Constitution and the White Paper on Local Government. Institutional and organizational reform in local government is the key to sustainable municipalities. Having been allocated separate powers and functions entrenched in the Constitution; municipalities had to organize themselves in preparation to fulfill these functions and powers. Organizational transformation in local government is further explicitly prescribed in Section 51 of the Municipal Systems Act which provides as follows:

“A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the municipality to:-

- a. be responsive to the needs of the local community;
- b. facilitate a culture of public service and accountability amongst its staff;
- c. Constitution and its developmental duties as required by section 153 of the Constitution;
- d. ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality’s integrated development plan;
- e. establish clear relationships, and facilitate co-operation, co-ordination and communication, between-
  - i. its political structures, political office bearers and its administration;
  - ii. its political structures, political office bearers and administration and the local community;
- f. organise its political structures, political office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;
- g. perform its functions—
  - i. through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and
  - ii. when necessary, on a decentralised basis;
  - iii. assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;
  - iv. hold the municipal manager accountable for the overall performance of the administration;
  - v. maximise efficiency of communication and decision-making within the administration;

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- vi. delegate responsibility to the most effective level within the administration;
  - vii. involve staff in management decisions as far as is practicable; and
  - viii. provide an equitable, fair, open and non-discriminatory working environment

This key performance area focuses on organizational capacity and includes indicators that show progress on how municipalities have organized themselves in terms of building capacity to deliver, compliance with equity targets as well as implementing both the organizational and individual performance management systems. Municipal performance in this KPA is assessed in the following six (6) focus areas:

- Performance Management Systems.
- Filling of Section 57 Manager positions;
- Signed performance agreements by Section 57 Managers;
- Disciplinary processes against Section 57 Managers;
- Employment Equity; and
- Skills development.

**Performance Management System  
Implementation of PMS in municipality**

eDumbe Municipality	Does the municipality have a PMS Policy Framework developed /reviewed and adopted by Council (State date of adoption)	Did the municipality review/develop its IDP and engaged with the community in the process	Have the municipality adopted IDP linked to SDBIP?	No of Section 56/7 Performance contracts signed?	No of Section 56/7 managers with signed Performance Agreements?	Is the municipality's PMS audited by an Internal Auditor for functionality and legal compliance ?	Has the municipality Appointed Performance Audit Committee (PAC)	Did the municipality submit previous year's council oversight report and made public	No of quarterly performance reports submitted	Has the municipality cascaded PMS to lower levels	State reasons for non-compliance of any of these components
Y/N:	Yes	Yes	Yes	6	6	Yes	Yes	Yes	4	No	We are engaging SALGA on rolling PMS to all staff
Date:	31/03/2016	29/05/2015	29/05/2015			31/03/2016	17/02/2014	27/02/2015			

The Municipal Manager and the Managers that are directly accountable to the Municipal Managers have signed the performance agreements, employment contracts and were forwarded to COGTA before the due date. Our Council Committees are fully functional and effective in performing their delegated tasks.

**Table 1: Linkage between IDP and SDBIP**

eDumbe municipality	2013/2014			2014/2015			2015/2016		
	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP
Y/N:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Date:	28/03/13	31/05/13	31/05/13	28/05/2014	28/05/2014		29/05/2015	29/05/2015	

The Council has adopted the Municipal Process Plan and has been abide by it in developing the IDP and the community participation through ward committees has been always ensured. The Mayor and the council has been always conducting IDP imbizo in the ward. The community was afforded an opportunity to contribute in the IDP formulation.



**Table 2: Filling of Section 56/7 Managers posts**

eDumbe Municipality	2013/2014			2014/2015			2015/2016		
	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies
Municipal Manager	1	1	0	1	1	0	1	1	0
Chief Financial Officer	1	1	0	1	1	0	1	1	0
Technical	1	0	1	1	0	1	1	1	0
Corporate Services	1	1	0	1	1	0	1	0	1
Planning	1	0	1	1	0	1	1	1	0
Community Services	1	1	0	1	1	0	1	1	0
TOTAL	6	4	2	6	4	2	6	5	1

There have been some challenges in the municipality regarding the movement of managers which created the instability in the organization, the movement has been more affecting the CFO, Director Technical and Municipal Manager, Senior Managers are leaving the municipality for greener pastures.

**Table 4: Disciplinary processes against Section 56/7 Managers**

eDumbe Municipality	2013/2014			2014/2015			2015/2016		
	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases
Number:	0	0	0	0	0	0	0	0	0

#### 1.4.1 Challenges

The implementation of performance to the lower staff and the budget to implement some policies especially on the ICT function. The municipality has limited budget for which the Records and Archives Management Policy can be implemented.

#### 1.4.2. Measures taken to improve performance

The municipality has improved the controls by taking actions against the employees who violet the code of conduct ( Schedule 2 )

#### 1.4.5. Recommendations

1. Continue awareness about failure to comply and chargeable actions
2. To workshop the Labour forum on dismissible charges and any form of miss conduct

#### 1.5. Annual Report Development Process Plan

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August

8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	November
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	December
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January

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# **CHAPTER 2**

# **GOVERNANCE**

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**CHAPTER 2- GOVERNANCE**

**2.1 COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

**2.1 POLITICAL STRUCTURES**



**Hon. His Worship the Mayor: Cllr BM Nxusa (Ward 5) Tholakele, Nkangala, KwaVova ,Mathunzini & Lubenjana**



**Deputy Mayor: Cllr. S.Mkhabela & Chairperson of Corporate & Community Services Portfolio Committee**



**Speaker of Council: CLLR. NR Simelane (Ward 8 Councillor )**

**From: Ophuzane, eNgulubeni, Paddafontein, Msonco , Sokesimbone & Nhlakanipho**





**EXCO Member: Cllr. SJ Kunene (Chairperson of Planning & Development Portfolio Committee)**  
**From: Bilanyoni, Moscow, Mbizeni and Phase 5**



**Cllr: SR Nkosi (PR) MPAC Chairperson**



Cllr. SE Thela (Ward 1) From: Luneburg, Ncaka & Hhulumbe : Cllr NM Nhlathi (Ward 2) From: Mangosuthu, Kangwanya, eMbuzini & Ezibomvu.



Cllr. MP Khumalo (Ward 7) From: Gamakazi, Khambule & Mahlani

**Cllr: BT Shabalala (PR)**



Cllr. IAT Mbatha (Ward 3) From: eDumbe Location, Paupeitersburg, Esikhaleni & KwaDokodo .

Cllr. DZ Mtshali (Ward 6) From: Obishini eBhadeni, Enkembeni & Ntungwi



**Cllr: NZ Kheswa (PR)**

**Cllr Gevers ( PR)**



**Cllr:ND Ndlangamandla (PR)**

**Cllr: TP Sibeko (PR)**

eDumbe full Council consists of 15 Councilors from different political parties and they work collectively and in harmony. The representation is as follows NFP: 8 Councilors, ANC: 4 Councilors, IFP: 2 Councilors and DA: 1 Councilor.

**Full Council Members**

1. Cllr SE Thela
2. Cllr NM Nhlabathi
3. Cllr IAT Mbatha

- 
4. Cllr NZ Keswa
  5. Cllr NR Simelane
  6. Cllr BM Nxusa
  7. Cllr DZ Mtshali
  8. Cllr MP Khumalo
  9. Cllr SR Nkosi
  10. Cllr SJ Kunene
  11. Cllr S Mkhabela
  12. Cllr R Gevers
  13. Cllr ND Ndlangamandla
  14. Cllr TP Sibeko
  15. Cllr BT Shabalala

#### **Ward Councillors**

EDumbe Municipality has 15 Councillors in total, out of 15 Councillors 8 are ward Councillors and 7 are Proportional Representation Councillors. Our quorum is 8. We have 5 women Councillors and 1 is an Executive Member.

Cllr. SE Thela	Ward 1
Cllr. NM Nhlabathi	Ward 2
Cllr. IAT Mbatha	Ward 3
Cllr. SJ Kunene	Ward 4
Cllr. BM Nxusa	Ward 5
Cllr. DZ Mtshali	Ward 6
Cllr. MP Khumalo	Ward 7
Cllr. NR Simelane	Ward 8

#### **POLITICAL DESICION**

The Council established its Portfolio Committees which are chaired by members of the Executive Committees as stipulated in the Municipal Structures Act No 117 of 1998 section 80.EDumbe Municipality has the following Portfolio Committees:

- Finance and Technical Services Portfolio Committee.
- Planning and Development Portfolio Committee.
- Corporate and Community Services Portfolio Committee.

The items are firstly presented to the relevant Portfolio Committee which then recommends to the Executive Committee. The Executive Committee recommends to the Council. The Executive Committee has got the power to approve the item or decline the item.

EDumbe Council has its own Municipal Public Account Committee (MPAC) which plays an oversight role on behalf of the Council. The MPAC reports to Council through speaker. MFMA Section 60 (b) : Municipal Manager is the Accounting Officer of the municipality for the purpose of this Act, he must provide guidance to political structures, political office bearers and municipal officials with regard to compliance to the Act.

Cllr S R Nkosi	Chairperson
Cllr DZ Mtshali	Member
Cllr N M Nhlabathi	Member
Cllr MP Khumalo	Member
Cllr TP Shabalala	Member

*MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.*

The Municipal Systems Act section 67 says A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, including (a) to (k)

Base on this section the Municipal Manager developed the delegation of duties to Council to separate the functioning of the departments

## 2.2. DEPARTMENTAL RESPONSIBILITIES

Office of the Municipal Manager	Financial Services	Corporate Services
Strategic Planning	Budget preparation and implementation	General administration
Overall responsibility for the organization	Revenue and expenditure management	Secretariat
Form and develop efficient and effective administration	Mid-year budget & performance assessment	Council support
Advise political structures and political office bearers	Revenue generation	Legal services
Ensure implementation of decisions of political structures	Debt collection, credit control and loans	Policies and procedures
Ensure implementation of national & provincial legislations	Supply chain management/procurement	Municipal office building management
Accountability for financial & other municipality resources	Capital expenditure control	Capacity building and training
Internal Audit	Investments	Human resources
Audit Committee	Asset and liability management	Ward committees
Intergovernmental and international relations	Internal audit and audit committees	Information services
Miscellaneous responsibilities outlined in the MSA, MFMA and other legislations	Financial reporting and auditing	Research and development
	Payroll	Fleet management
	Management of Grants, Tax &	Business plan

	Levies	
	Business plan	Contract Management
<b>Community Services</b>	<b>Planning &amp; Development Services</b>	<b>Technical &amp; Infrastructure Services</b>
Health	Planning	Electricity
Sports and culture	Land use management	Water (co-ordination and recommendation)
Youth and gender development	Integrated Development Planning	Sanitation (co-ordination and recommendation)
Swimming pools	Local Economic Development	Solid waste sites
Facilities management	Local tourism	Municipal roads
Libraries	Project management	Business planning
People with disability	Program management	Project management
Disaster management	Marketing	Implementing agent
Emergency services	Environmental Management	Housing (technical)
Pounds	Business Plan	Housing and land affairs
Safety and security		Cemeteries
Regulator and monitoring		Parks and recreation
Communication infrastructure		Business plan
Nature conservation		
Poverty alleviation		
Business plan		

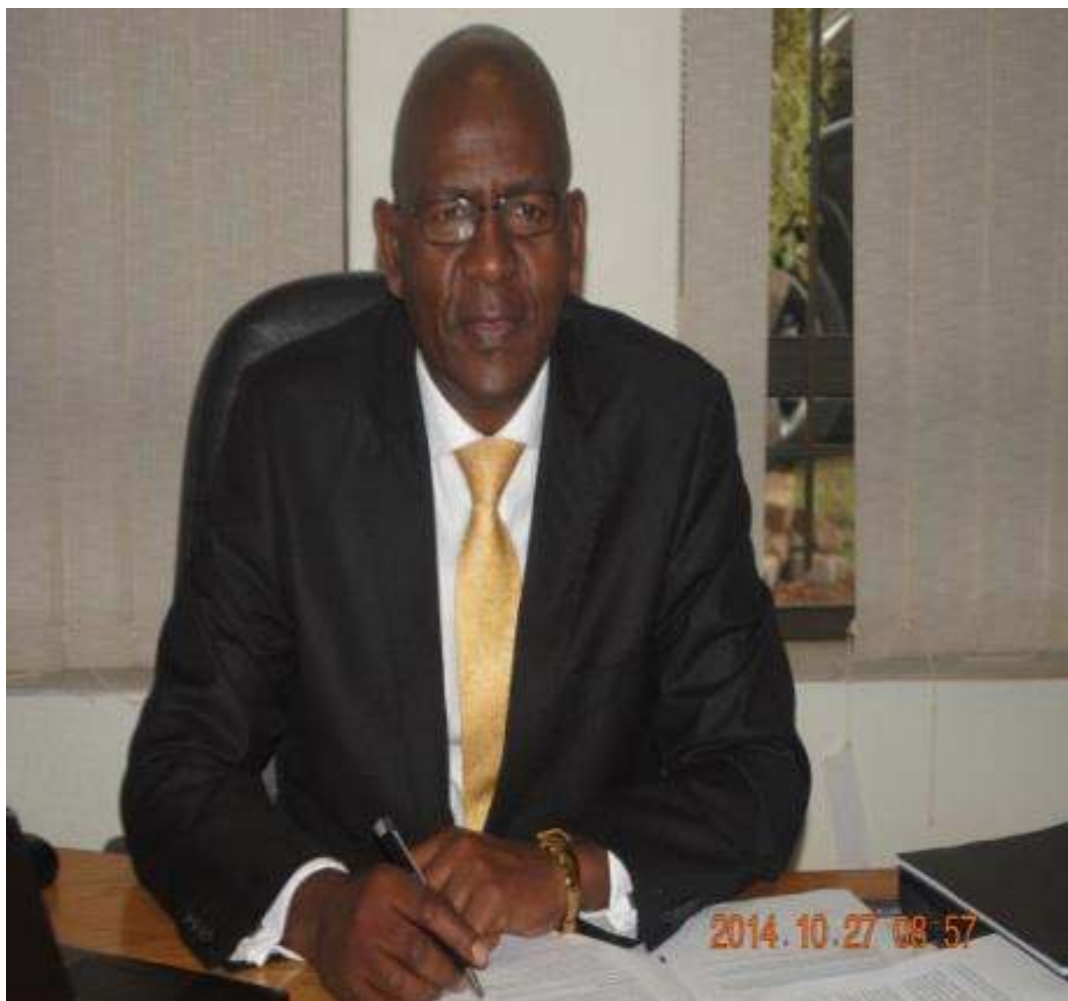


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### 2.3. SENIOR ADMINISTRATIVE STRUCTURE

**Municipal Manager**

**Mr T.V.Mkhize**





**Ms Z.M.Mdlazi (Director Community )**



**Mr M.W.Nxumalo (Former Director Corporate)**



**Mr S Cele (Director Technical Services )**



**Mr S Mngwengwe ( Chief Financial Officer )**



**Mr S Ntuli ( Director Planning and Social Development )**

## **2.4 COMPONENT B: INTERGOVERNMENTAL RELATIONS**

*MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisage in the Constitution section 41.*

### **2.4.1 Shared Services**

The municipality has receive the support from COGTA for the Planning Shared Services whereby COGTA appointed qualified Planners to support the District Family of Municipalities in the Zululand District to improve the implementation of the Planning Act and Development of the Planning Strategic Documents. The Officials are shared among the Municipalities on the rotation schedule.

### **2.4.2 Leave Management**

Leave management has been a challenge in the municipality in the last financial years however a great success has been achieved. The municipality is now able to report to Cogta National on number of leave taken monthly by employees.

### **2.4.3 Project Implementation and Expenditure**

The support by the provincial government regarding the project implementation did not set any sustainable standard procedure as intended. One had a good lesson from the team, which is to balance the project implementation plan and the financial expenditure.

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#### **2.4.4 PMU**

The establishment of the Project Management Unit that is managing MIG projects and packaging future projects. This supported by COGTA with Budget for the two PMU Technicians. This started in 2008 till to date.

#### **2.4.5 National Intergovernmental Structures**

- Presidential Coordinating Council
- National Intergovernmental Forum

éDumbe Municipality has not directly participated on any of these forums except where it has been represented by the Local Government Association as prescribed in the Intergovernmental Fiscal Relations Act 97 of 1997 section 6(1)(h).

#### **2.4.6 Provincial Intergovernmental Relations**

The Premier's Intergovernmental Forum. The éDumbe has attended the forum through the extended invitation since it is not a *original* member of the forum but seat through the Intergovernmental Fiscal Relations Act 97 of 1997 section 17 (3). We continue to honour the invitations that are extended to us by the Premier.

#### **2.4.7 District Intergovernmental Structure**

District Intergovernmental Forum is where the éDumbe is an original member through the representation of the Mayor. As a member of the District intergovernmental structure we have committed our active participation and meaning contributions to ensure that this structure is used as a platform to resolved issues which affects the municipalities in the district.

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## COMPONENT C: 2.1. PUBLIC ACCOUNTABILITY AND PARTICIPATION

The MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development

### PUBLIC MEETINGS



#### Community Meeting at Bilanyoni Ward 4

Public meetings and stakeholders engagements sessions whereby the municipality stage the ward committee meetings to report back on the level of service delivery and get their views on the IDP and Budget implementation.

### 2.2. IDP

In the IDP and Budget Process the municipality conduct ward izimbizo to present the IDP and Budget wherein the Mayor update the community on the achievements and future plans.

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### 2.2.1. The IDP Steering Committee

The IDP Steering Committee must be established during the IDP process and it must continue performing its functions during the IDP review process. It is a technical working group made up of senior officials and relevant officials to support the Development Planner and ensure a smooth review process.

### 2.2.2. The IDP Representative Forum

This is the structure, which institutionalises and ensures a participatory IDP review process. It represents the interests of the constituents of the municipality in the review process. It is envisaged that all organisations, stakeholders or interest groups are represented in the forum.

### 2.2.3. Zululand District Municipality IDP Steering Committee

Zululand District Municipality has established a District IDP Steering Committee (IDP Planners Forum) that will ensure co-ordination of the IDP Review processes of the district and the local municipalities. Membership of this committee includes all the Local Municipalities and the District's Municipal Managers, IDP Managers and Planners, representatives from the Department of Local Government and Traditional Affairs and targeted service providers within Zululand District Municipality. The Zululand IDP Manager must chair the Committee / Forum

## 2.3. COMMUNICATION, PARTICIPATION AND FORUMS

### Functionality of Ward Committees

The Ward Committees have a crucial role of identifying the needs and service delivery gaps in the community and report to the Ward Councillor .Ward committees had been trained on their functions and procedures to be followed when reporting community issues. Ward committees are the voice of the communities regarding community needs.

éDumbe Municipality	2013/2014		2014/2015		2015/16	
	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees
Number and percentage:	8	100%	8	100%	8	100%

**Total number of deployed CDW's per municipality**

éDumbe Municipality	2013/2014		2014/2015		2015/201	
	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards
Number of CDW	7	5	7	5	7	5

**There are two posts that are not filled**

**COMPONENT D: CORPORATE GOVERNANCE**

**2.3. RISK MANAGEMENT**

Institutions operate in environments where factors such as technology, regulation, restructuring, changing service requirements and political influence create uncertainty. Uncertainty emanates from an inability to precisely determine the likelihood that potential events will occur and the associated outcomes.

Organisational Risk Management forms a critical part of any institution's strategic management. It is the process whereby an institution both methodically and intuitively addresses the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities. ORM is therefore recognised as an integral part of sound organisational management and is being promoted internationally and in South Africa as good practice applicable to the public and private sectors.

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Public sector institutions are bound by constitutional mandates to provide products or services in the interest of the public good. As no institution has the luxury of functioning in a risk-free environment, public sector institutions also encounter risks inherent in producing and delivering such goods and services.

All institutions face uncertainty, and the challenge for management is to determine how much **uncertainty** the institution is prepared to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance **value**. It provides a basis for management to effectively deal with uncertainty of associated risk and opportunity, thereby enhancing its capacity to build value. Value is maximized when management sets objectives to strike an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the organisation's objectives. It is accordingly accepted by all stakeholders that Ulundi Local Municipality will manage risks faced in an appropriate manner.

The Institute of Risk Management defines **risk** as “... *the uncertainty of an event occurring that could have an impact on the achievement of objectives*. Risk not only manifests as negative impacts on the achievement of goals and objectives, but also as a missed opportunity to enhance organisational performance. Risk is measured in terms of consequences of impact and likelihood.”

This definition applies to each and every level of the organisation and the overriding policy and philosophy is that the management of risk is the responsibility of management at each and every level in the municipality. The management of risk is no more or less important than the management of organisational resources and opportunities and it simply forms an integral part of the process of managing those resources and opportunities.

- Provide guidance for the accounting officer, managers and staff when overseeing or implementing the development of processes, systems and techniques for managing risk, which are appropriate to the context of the municipality.
- Advance the development and implementation of modern management practices and to support innovation throughout the Public Sector.



- 
- Contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring legitimate precautions are taken to protect the public interest, maintain public trust, and ensure due diligence.

### **2.3.1 Legal mandate.**

The Municipal Finance Management Act, 2003 has legislated key governance best practices.

### **2.3.2 Accounting Officer**

Section 62(1)I(i) of the Municipal Finance Management Act, 2003 requires that:

*“The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure*

–

*that the municipality has and maintains effective, efficient and transparent systems –*

*(i) of financial and risk management and internal control”*

### **2.3.3.MANAGEMENT, OTHER PERSONNEL AND RISK CHAMPIONS.**

The extension of general responsibilities in terms of section 78 of the Municipal Finance Management Act, 2003 to all senior managers and other officials implies that responsibility for risk management vests at all levels of management and that it is not limited to only the accounting officer and internal audit.

### **2.3.4.INTERNAL AUDITORS**

Section 165(2)(a)(b)(iv) of the Municipal Finance Management Act, 2003 requires that:

*“(2) The internal audit of a municipality must –*

*(a) Prepare a risk based audit plan and an internal audit program for each financial year;*

*(b) Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matter relating to:*

*(ii) risk and risk management”.*

*“The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvements of the risk management and control systems –*

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*A1 - The internal audit activity should monitor and evaluate the effectiveness of the organisation's risk management system.*

*A2 - The internal audit activity should evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:*

- Reliability and integrity of financial and operational information;*
- Effectiveness and efficiency of operations;*
- Safeguarding of assets; and*
- Compliance with laws, regulations and contracts.*

### **2.3.5.AUDIT COMMITTEE**

Section 166 (2) of the Municipal Finance Management Act, 2003 requires that:

*“(2) An audit committee is an independent advisory body which must –*

*(a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to –*

*(ii) risk management”*

### **2.3.6. THE RISK MANAGEMENT COMMITTEE.**

For the 2015–2016 financial year the senior management were elected members of the risk management committee. The following members were involved.

Mrs L Masondo (Senior Risk Officer) – Chairperson

Mrs P Ntanzi (Finance Manager) – Member

Mrs D.J.Nhlengethwa (Manager – Community) – Member

Mr M Mathabela (IT Manager) – Member

Mr B W Dube (PMU Manager) – Member

Mrs SEP Dlamini (Housing Manager) – Member

## **2.4.TERMINOLOGY**

**Framework.** Includes a policy and a set of procedures to support application of the policy.

**Policy.** A statement of overall objectives, intent and responsibility for an activity, function or process.

The statement should reflect the expectations of senior management.

**Procedure.** Procedures support the essential steps in managing an activity, function or

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process or activity by providing guidance and instruction to staff on how to achieve the objectives of the relevant policy.

**Risk:** The chance of something happening (an event) that will have an impact upon objectives. It is measured in terms of consequences and the likelihood of a particular risk.

**Risk identification:** Determining what risk events can happen, why and how.

**Risk exposure:** A risk exposure is a rating assigned to a risk based on the likelihood and consequences of a risk, which is compared against pre-established criteria for risk classification in the risk management framework. For example risk level ratings might include:

**Risk management:** The culture, frameworks and structures that are directed towards the effective management of potential opportunities and adverse effects.

Risk management involves the systematic application of management policies, Procedures and practices to the steps of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

**Risk register:** A risk register is a comprehensive record of risks across an organisation, business unit or project depending on the purpose/context of the register.

**Senior Management:** The layer of management in an organisation that makes decisions about direction, focus, policy and corporate governance.

## **2.5.THE MANAGEMENT OF THE RISKS.**

Management conduct organisational risk assessment whereby all possible risks are identified and listed on the risk register. The risk management committee meets on quarterly basis to trace progress on risk mitigation.

## **2.6. PUBLIC SATISFACTION ON MUNICIPAL SRVICES**

The municipality has placed suggestion boxes in all municipal offices to afford communities an opportunity to comment on services rendered by the municipality. During IDP meetings people are also given an opportunity to raise issues that affect them either way.

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## **2.7. MUNICIPAL BY-LAWS**

Most of Municipal By- Laws are not gazetted which make the law enforcement to who encroach not effective. It has cost the Municipality high price because most businesses and people of middle and high class prefer buying houses in other towns where property values are high. The municipality has targeted to gazette 4 By-Laws during 2016/2017 financial year.

## **2.8. MUNICIPAL WEBSITE**

*According to MFMA and Systems Act No.32 of 2000 section 21B,it is stated that the municipality should establish its website and place all the information required to be made public , the following information is available on the municipal website.*

Approved Annual Budget

Approved Annual Report

Tenders on advert, awarded and intention to award

Approved IDP document 2016/2017

Public notes

Information about Councillors

Municipal Departments

Municipal Contacts details

Other information.e.g. Gallery, projects, vacancies and ect.

The website is functional however the municipality has appointed the service provider to redesign it. The redesigning exercise will be done in 2016/2017 financial year.

## **2.9.ANTI-CORRUPTION AND FRAUD**

The municipality has launched a hotline number to report any suspected fraud corruption.

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# CHAPTER 3

# SERVICE DELIVERY

# PERFORMANCE

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## CHAPTER 3 SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### 3.1.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.

The set targets on the Scorecard and IDP strategies and objectives were approved by Council on 29/05/2015

These targets were reviewed and updated by Council at Council meeting on 31/03/2015

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.

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), **departmental** (also referred to as services, operational or section/team level) and lastly, **individual** level.

At **Organizational** level, the five-year IDP forms the basis for performance management, whereas at operational level the annual SDBIP /Scorecard forms 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.

### 3.2. MUNICIPAL ANNUAL PERFORMANCE (2015/2016) (ANNUAL TARGETS VS ACTUAL ACHIEVEMENTS)

The annual Organization Performance (depicted by strategic departments of eDumbe Municipality) is encapsulated in the table below. These results are deriving from the monthly and quarterly performance and evaluations performed during the **2015/2016 financial year.**

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI1	DEEPEN DEMOCRACY THROUGH REFINED WARD COMMITTEE SYSTEM	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Promoting Integrated Development Planning	1	Approved IDP Document	N/A	N/A	Approved IDP Document by 30 June 2016.	IDP Document was approved by Council on 13 May 2016.	<b>Target Achieved</b>	
KPI2			Organised IDP Road-show and IDP Representative forum	2	Number of IDP Road-shows conducted	N/A	N/A	8 IDP Road-shows and 1 IDP Representative Forum by 30 June 2016	8 IDP Road shows for second round were organised on 9-10 May 2016.IDP Rep Forum was	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									convened on 20 April 2016.		
<b>KPI3</b>			Ensuring Public Safety and Security	<b>3</b>	Marked Roads	N/A	N/A	6km of High Street and Mark Street marked by 30 June 2016	6km of High Street and Mark Street was done as targeted	<b>Target Achieved</b>	
<b>KPI4</b>			Ensuring Public Safety and Security	<b>4</b>	Conducted fire breaks	N/A	N/A	1 Fire break activity conducted in urban areas by 30 June 2016	1 Fire break activity was conducted on 31 July 2015	<b>Target Achieved</b>	
<b>KPI5</b>			Ensuring Public Safety and Security	<b>5</b>	Conducted Public Safety Awareness Campaigns	4 Safety and security programmes	Target not Achieved	4 Road safety, fire and disaster awareness campaigns by 30 June 2016	Road safety , fire and disaster campaigns were conducted on the following	<b>Target Exceeded</b>	



KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									dates : 14/09/2015 at Mahloni Primary school, 11/02/2016 at Amanzashisayo Primary School , 11/02/2016 at Siphalaza Primary School 10/02/2016 at Ubuhlebukazulu Primary School,10/02/20 16 at Enkembeni Primary School 31/05/2016 at		

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									Esiyalwini Primary School,31/05/2016 at KwaMpunzi Combined School		
<b>KPI6</b>			Promoting special programmes	<b>6</b>	Conducted Special Programmes	7 Programmes by 30 June 2015	Target not Achieved	5 Special programmes conducted by 30 June 2016.	Only 4 special programmes were conducted:  Elderly games on 08/07/2015, Women celebration on 29/08/2015, SM ME Workshop	<b>Target Not Achieved</b>  We could not achieve the target due to financial Constraint	More funders will be hunted in 2016/2017 financial year so that our projects do not solely rely

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									on 28/08/2015 and Rights of children on 21/06/2016		on municipal budget.
<b>KPI7</b>			Promoting Community healthy lifestyle and wellbeing	<b>7</b>	Conducted HIV/AIDS Workshops and social ills campaigns	4 Campaigns by 30 June 2015	Target not Achieved	3 Conducted HIV/AIDS Workshops and social ills Campaigns by 30 June 2016.		<b>Target not Achieved</b>	The Municipality will get someone who will be fully charged on HIV/AIDS and social ills issues since the previous incumbent

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
											was committed in Mayor's office.
<b>KPI8</b>			Promoting Youth and Sports Development	<b>8</b>	Conducted Youth and Sports Development Programmes	16 Activities by 30 June 2015	Target not Achieved	13 Youth and Sports programmes conducted by 30 June 2016	The following 11 youth and sports programmes were conducted on the following dates: 15/07/2015 (District Senior Citizen Festival) 11/07/2015 (Local	<b>Target not Achieved.</b>  We could not achieve the target due to financial Constraint	More funders will be hunted in 2016/2017 financial year so that our projects do not solely rely on municipal budget.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									Indigenous games) 14-16/08/2015 (Provincial Indigenous games) 8&9/08/2015 (Local Mayoral Cup Games) 22/08/2015 (Sports Indaba) 29/08/2015 (Referees training) 12/09/2015 (Netball Training Umpire) 26/09/2015		

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									(District Mayoral Cup games) 24-26/07/2015 ( Youth Summit ) 14/02/2016 (Dumbe Marathon ) 13/03/2016 (District Marathon )		
<b>KPI9</b>			Promoting Participation in arts & culture	<b>9</b>	Conducted arts and Culture Programmes	10 Activities by 30 June 2015	Target not Achieved	8 Arts and Culture Programmes conducted by 30 June 2016	The following programmes were organised on the following dates: 01/07/2015	<b>Target Exceeded</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									(Local Umbele wethu festival at Bilanyoni ) 10/07/2015 District Umbele wethu at Cecil Emmet) 30/07/2015 (School Cultural Competition ) 26/9/2015 (Cothoza Selection mfana) 24/09/2015 (Umkhosi weLembe ) 03/09/2015		

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									(Umkhosi womhlanga ) 26/12/2015 (Ingoma KwaNgwanya) 28/12/2015 (Ingoma KwaVova ) 31/12/2015 (Ingoma Mangosuthu ) 29/12/2015 (Isicathamiya ) 26/03/2016 (Ingoma Competition )		
<b>KPI10</b>			Improving Municipal	<b>10</b>	Printed Newsletter	Distribution	Target not	4 Newsletter published	Only 3	<b>Target not</b>	More



KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			Forms of Communication			of newsletter quarterly	Achieved	and distributed by 30 June 2016	Newsletter were published by 30 June 2016	<b>Achieved.</b>  We could not achieve the target due to financial Constraint	funders will be hunted in 2016/2017 financial year so that our projects do not solely rely on municipal budget.
<b>KPI11</b>			Improving Municipal Forms of Communication	<b>11</b>	Erected Mayoral Boards	N/A	N/A	2 Mayoral Billboards erected by 30 August 2015.	2 Mayoral Billboard were erected 30 November 2016	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI12			Municipal Forms of Communication	12	Engagement with public sector to do customer care survey	N/A	N/A	1 Sector Department engaged by 30 June 2016	Sector Department Engagement was done on 12 October 2015	Target Achieved	
KPI 13			Municipal Forms of Communication	13	Erected Suggestion box	N/A	N/A	8 Erected suggestion box by 30 September	8 Suggestion box was completed by	Target Achieved	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
								2015	31 August 2015		
KPI 14			Promoting access to information through information Communication Technology	14	An appointed service provider to maintain and update municipal website	N/A	N/A	Appointed service provider by 30 July 2015	The Company was appointed on 15/09/2015 to maintain municipal website.	Target Achieved	
KPI 15			Promoting access to information through information Communication Technology	15	Maintained and updated website	Uploaded website by 30 June 2015	Target Achieved	12 Reports on maintained and updated website by 30 June 2016	12 Reports on maintained and updated website were submitted monthly.	Target Achieved	
KPI 16	APPROACH TO MUNICIPAL FINANCING, PLANNING AND INSTITUTIONAL DEVELOPMENT		Ensuring that all relevant prescribed policies, strategies and by-laws	16	Reviewed 13 HR Policies	5 Reviewed policies by 30	Achieved ((Target Exceeded )	Reviewed 13 HR Policies by 30	The following 16	Target Exceeded	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			are in place			June 2015		June 2016	Policies were reviewed and approved by Council by 30 June 2016: Municipality Chronic Policy, Dress Code Policy, Exit Interview Policy, Health and Safety Policy, Leave Policy, Subsistence & Travelling Policy,		

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		

Overtime Policy, Protective Clothing Policy, Selection and Recruitment Policy, Remuneration Policy, Sexual Harassment Policy, Fleet Management Policy, Training and Development Policy, Transfer and Staff Policy,

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									Induction Policy and Supply Chain Management Policy.		
<b>KPI17</b>			Ensuring that all relevant prescribed policies, strategies and by-laws are in place	<b>17</b>	Developed Fleet Management Policy	N/A	N/A	Developed Fleet Management Policy by 30 June 2016	Fleet Management Policy was developed and approved by Council on 28 June 2016	<b>Target Achieved</b>	
<b>KPI18</b>			Ensuring that all relevant prescribed policies, strategies and by-laws	<b>18</b>	An approved staff establishment	N/A	N/A	An approved staff establishment by 31 December 2015	Staff Establishment was conducted and approved	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			are in place						by Council on 28 August 2015		
<b>KPI19</b>			Ensuring that the municipality is compliant with labour laws and abides with the employment equity act	<b>19</b>	Submitted Employment Equity Report	N/A	N/A	Submitted Employment Equity Report to Department of Labour (DoL ) by 30 January 2016	Acknowledgement letter from Cogta dated 25 January 2016 was received by the Municipality.	<b>Target Achieved</b>	
<b>KPI20</b>			Improving the ICT infrastructure	<b>20</b>	Implemented Disaster Recovery Plan and Business Continuity Plan.	N/A	N/A	Implemented DRP & BCO Policies by 30 June 2016		<b>Target not Achieved</b>	Target has been moved to 2016/2017 financial year.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI21			Improving the ICT infrastructure	21	Appointed Service Provider to provide ICT equipment	N/A	N/A	Appointed Service Provider to provide ICT equipment by 30 September 2015.		Target not Achieved	Target has been moved to 2016/2017 financial year.
KPI22			Exposing staff and Councillors to capacity	22	Conducted trainings and	Workshop for councillor by	Target Achieved	10 Conducted trainings and	Only Managers and Finance	Target not Achieved	More trainings



KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			building initiatives through implementation of Workplace Skills Plan.		workshops for both Councillors and staff	31 December 2014		workshops for both Councillors and staff by 30 June 2016	staff attended MFMA Training in June 2016	We could not achieve the target due to financial Constraint	will be conducted in 2016/2017 Financial year.
<b>KPI23</b>			Exposing staff and Councillors to capacity building initiatives through implementation of Workplace Skills	<b>23</b>	Reviewed and Submitted Workplace Skills Plan	Reviewed WSP by 30 June 2015	Target Achieved	Reviewed and Submitted Workplace Skills Plan by 30 April 2016	WSP was reviewed and submitted on 29/04/2016	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			Plan.								
KPI24	COMMUNITY WORK PROGRAMME IMPLEMENTED AND COOPERATIVES SUPPORTED	LOCAL ECONOMIC AND SOCIAL DEVELOPMENT	Promoting job creation and Employment opportunities	24	Created jobs through LED initiatives	N/A	N/A	30 jobs Created through LED initiatives by 30 June 2016	135 Jobs were created through LED Projects: eDumbe Dam Project created 123 jobs, Car wash materials created 6 jobs, Funeral Parlour Equipment created 4 jobs and Protective Clothing	Target Exceeded	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									Materials created 2 jobs.		
<b>KPI25</b>			Safeguarding sustainable livelihoods and food security to alleviate poverty	<b>25</b>	Delivered Poverty alleviation projects	40 Projects delivered by 31 December 2014	Target Achieved	32 Ward based poverty alleviation projects delivered by 31 December 2015		<b>Target Achieved</b>	
<b>KPI26</b>			Providing support to local SMMEs	<b>26</b>	Coordinated SMMEs workshops on Business start up, Returns, Book keeping and Database registration.	N/A	N/A	4 SMMEs workshops conducted by 30 June 2016	Workshops for SMMEs were organised on the following dates:  15/07/2015,  07/10/2015.  17/11/2015,	<b>Target Exceeded.</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									10/02/2016 & 10/05/2016		
<b>KPI27</b>			Marketing the municipality and its opportunities that it offers	<b>27</b>	Rehabilitated Bonamanzi Caravan Park ( Dumbe Dam)	N/A	N/A	Rehabilitated Bonamanzi Caravan Park ( Dumbe Dam) by 30 June 2016	The Project was practical completed as of 23 November 2015	<b>Target Achieved</b>	
<b>KPI28</b>			Marketing the municipality and its opportunities that it offers	<b>28</b>	Organised Annual Tourism Events	1 Traditional horse riding event organised by 30 September 2014	Target Achieved	1 Dumbe Heritage Festival Event held by 30 September 2016	EDumbe Heritage day festival was held on 19 September 2015.	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMAN CE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved	Measures taken to improve performan ce
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 29	IMPROVED ACCESS TO BASIC SERVICES	BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	Improving access to roads	29	Regravelled Mahlosana Road ( 1.25 km )	N/A	N/A	Regravelled Mahlosana Road ( 1.25 km ) by 30 June 2016.	The Project was practical completed as of 14 September 2015	Target Achieved	
KPI30			Improving access to roads	30	Regravelled Ophuzane Road ( 1.5 km )	N/A	N/A	Regravelled Ophuzane Road ( 1.5 km ) by 30 June 2016	The Project was practical completed as of 14 September 2015	Target Achieved	
KPI31			Improving access to roads	31	Regravelled Mangosuthu Road	N/A	N/A	Regravelled Mangosuthu Road ( 3.6 km ) by 30 June	The Project was practical completed as of	Target Achieved	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
					( 3.6 km)			2016	14 September 2015		
<b>KPI32</b>			Improving access to roads	<b>32</b>	Regravelled Bilanyoni Road ( 700 m)	N/A	N/A	Regravelled Bilanyoni Road ( 700 m) by 30 June 2016	The Project was practical completed as of 14 September 2015	<b>Target Achieved</b>	
<b>KPI33</b>			Improving access to electricity	<b>33</b>	Developed Integrated Electrification master plan	N/A	N/A	Developed Integrated Electrification master plan by 30 June 2016		<b>Target not achieved</b>  We could not achieve the target due to	Target has been moved to 2016/2017 financial year.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
										financial Constraint.	
KPI34			Improving access to adequate shelter	34	Conducted Housing Forums	N/A	N/A	10 Conducted Housing Forums by 30 June 2016	Only 8 Housing forum meetings were conducted on the following dates ((11/08/2015,15/09/2015,17/11/2015,15/02/2016,15/03/2016. 12/04/2016,17/05/2016& 14/05/2016	<b>Target not Achieved</b>	



KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 35			Improving access to refuse removal	35	Removed refuse from households	N/A	N/A	5000 refuse removed from households by 30 June 2016	5000 Refuse removed from households as of 30 June 2016	<b>Target Achieved</b>	
KPI 36			Ensuring proper maintenance of cemeteries	36	Completed fencing of Tholakele Cemetery	N/A	N/A	Completed fencing of Tholakele Cemetery by 30 June 2016	85% of the project has been completed.	<b>Target not Achieved</b>  The target was not achieved on time because one of the bidders made an appeal against the	The project will undergo a rollover process.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
										decision taken by Bid Adjudication Committee. The project was put on hold for the final decision.	
<b>KPI 37</b>			Ensuring that the community has access to community facilities.	<b>37</b>	Completed Brech Crèche	N/A	N/A	Completed Brech Crèche by 30 June 2016	The Project was practical completed as of 15 March 2016	<b>Target Achieved</b>	
<b>KPI 38</b>			Ensuring that the community has access to community facilities.	<b>38</b>	Completed Madulini Crèche	N/A	N/A	Completed Madulini Crèche by 30 June 2016	The Project was practical completed as of 12 February	<b>Target Achieved</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
									2016		
KPI 39			Ensuring that the community has access to community facilities.	39	Completed KwaVova Hall	N/A	N/A	Completed KwaVova Hall by 30 June 2016	35% of the project has been completed.	<p><b>Target not Achieved</b></p> <p>The Target was not achieved on time due to under quoting by the Service Provider.</p>	The project will undergo a rollover process.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 40			Ensuring that the community has access to community facilities.	40	Completed KwaGamakaziHall 1	N/A	N/A	Completed KwaGamakazi Hall by 30 June 2016	90% of the project has been completed.	<b>Target not Achieved</b>  The Target was not achieved on time due to under quoting by the Service Provider.	The project will undergo a rollover process.
KPI 41			Ensuring that the community has access to	41	Rehabilitated Taxi	Rehabilitated Paulpietersbu	Target	Rehabilitated Taxi	The Project was practical	<b>Target</b>	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			community facilities.		Rank	rg Taxi Rank by 20 June 2015	Achieved	Rank by 30 June 2016	completed as of 21 April 2016	<b>Achieved</b>	
<b>KPI42</b>			Ensuring that the community has access to community facilities.	<b>42</b>	2 Completed Bilanyoni High Masts	N/A	N/A	2 Completed Bilanyoni High Masts by 30 June 2016	80% of the project has been completed.	<b>Target not Achieved</b>  The target was not achieved on time due to late payment by the municipality.	The project will undergo a rollover process.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 43	IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Ensuring Financial reporting and compliance	43	An adopted Annual Financial Statement	N/A	N/A	An adopted Annual Financial Statement by 31 August 2015.	Annual Financial Statement was approved by Council on 28 August 2015	Target Achieved	
KPI44			Ensuring Financial reporting and compliance	44	Submitted Financial Reports	12 Monthly Reports by 30/06/2015	Target Achieved	Submitted 48 Financial Reports by 30 June 2016	48 Reports were submitted as of 30 June 2016	Target Achieved	
KPI45			Improving Budget process and implementation	45	An Approved Municipal Draft Budget	An Adopted Draft Budget by 31/03/2015	Target Achieved	An Approved Municipal Draft Budget by 31 March 2016	Municipal Draft Budget was approved by Council on 31 March 2016	Target Achieved	

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI46			Improving Budget process and implementation	46	Adopted Annual Budget	N/A	N/A	Adopted Annual Budget by 30 June 2016	Annual Budget was adopted by Council on 28 June 2016	Target Achieved	
KPI47			Implementing Revenue Enhancement Strategy	47	Developed Revenue Enhancement Strategy	N/A	N/A	Developed Revenue Enhancement Strategy by 30 September 2015	Revenue Enhancement Strategy was developed but was not presented to council for approval.	Target Not Achieved	The Strategy has been developed but it needs to be submitted to Council for approval.
KPI48			Improving Financial	48	Updated and	Completed	Target	Updated and		Target Not	Target has

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
			viability and sustainability		Reviewed Asset Register	and Compliant Asset Register by 30/06/2015	Achieved	Reviewed Asset Register by 30 June 2016		<b>Achieved</b>	been moved to 2016/2017 financial year.
<b>KPI49</b>			Developing the policy to ensure growth of Local Small, Medium and Micro Enterprises ( SMMEs )	<b>49</b>	Developed policy to ensure SMMEs growth	N/A	N/A	Developed policy to ensure SMMEs growth by 30 September 20 15		<b>Target Not Achieved</b>	Target has been moved to 2017/2018 financial year.



KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
<b>KPI 50</b>			Enforcing Financial Policies	<b>50</b>	Developed Indigent Register	N/A	N/A	Developed Indigent Register by 30 June 2016.		<b>Target Not Achieved</b>	The Register has been developed, it needs to be submitted to Council for approval
<b>KPI 51</b>			Reviewing Valuation Roll	<b>51</b>	Reviewed Valuation Roll	N/A	N/A	Reviewed Valuation Roll by 30 June 2016		<b>Target Not Achieved</b>	Finance department is currently

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
											busy with evaluation roll. Hopefully it will be presented to council before the end of February 2017.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 52	CROSS CUTTING INTERVENTIONS	SPATIAL DEVELOPMENT AND ENVIRONMENTAL PLANNING	Response to Climate Change	52	Reviewed Disaster Management Plan	N/A	N/A	Reviewed Disaster Management Plan by 30 June 2016		<p><b>Target not Achieved</b></p> <p>We could not achieve the target due to financial Constraint</p>	Target has been moved to 2016/2017 financial year.

KPI No:	OUTCOME 9	NATIONAL KEY PERFORMANCE AREAS	STRATEGIES (AS PER IDP)	NO	INDICATORS	COMPARISON WITH PREVIOUS YEAR		CURRENT YEAR		Status (Achieved / Not Achieved)	Measures taken to improve performance
						2014/2015 (TARGET)	2014/2015 (ACTUAL)	2015/2016 (TARGET)	2015/2016 (ACTUAL)		
KPI 53			Promoting Environment Management	53	Developed Integrated Environmental Management Plan	N/A	N/A	Developed Integrated Environmental Management Plan by 30 June 2016		Target not Achieved  We could not achieve the target due to financial Constraint	Target has been moved to 2017/2018 financial year.

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### 3.3. PERFORMANCE MANAGEMENT PROCESSES

In terms of Chapter 6, of the Municipal Systems Act. No 32 of 2000, the 2001 Municipal Planning and Performance Management Regulations (2001) were published, setting out the requirements for a municipal PMS. The Regulations also contain the general indicators prescribed by the Minister responsible for local government and have been attached as Annexure 1 in our PMS Framework. A further set of Regulations were published in 2006 and they deal with Performance Management for Municipal Managers and managers that are directly accountable to Municipal Manager.

The performance Management System is located within a legislative and policy framework and is influenced by, but not limited to the following:

- The Constitution of the Republic of South Africa, Act 108 of 1996.
- The White Paper on Local Government, 1998
- The Municipal Systems Act 32 of 2000
- The Municipal Planning and Performance Regulations 2001
- The Municipal Finance Management Act 56 of 2003
- Monitoring and Evaluation Policy Framework and Procedure Manual

The major PMS policy instruments is the 1998 White Paper on Local Government supported by the Batho Pele principles, and was given legal stature through the adoption of the Local Government: Municipal Systems Act in 2000 (Act 32 of 2000). The said Act requires all municipalities to:

- 
- Develop a performance management system
  - Set targets and monitor and review the performance of the Municipality based on indicators linked to their Integrated Development Plan (IDP)
  - Publish an annual performance report on the performance of the Municipality forming part of its annual report as per the Municipal Finance Management Act (MFMA).
  - Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the Minister responsible for local government
  - Conduct, on a continuous basis, an internal audit of all performance measures
  - Have their annual performance report audited by the Auditor-General
  - Involve the community in setting indicators and targets and reviewing municipal performance

### **3.4. MONITORING, EVALUATION AND REVIEW**

The Municipality has got PMS Framework that is aligned to the legislation and Integrated Development Plan .The Framework is best suited to the circumstances of the municipality and it was approved by the Council. Monthly reports are submitted by senior managers for all activities carried out in that particular month and at the end of every quarter. Senior managers were expected to prepare and submit quarterly performance reports for monitoring and evaluation of actual performance against set targets.

Quarterly reports have been submitted to Council, Internal Auditors, MPAC and Audi Committee for assessment, auditing and evaluation. Assessment of section 54/56 employees has been conducted in quarter 1, quarter 2 and quarte3. Q4 Assessment will be done in September 2015. The Municipal Manager and the Managers that are

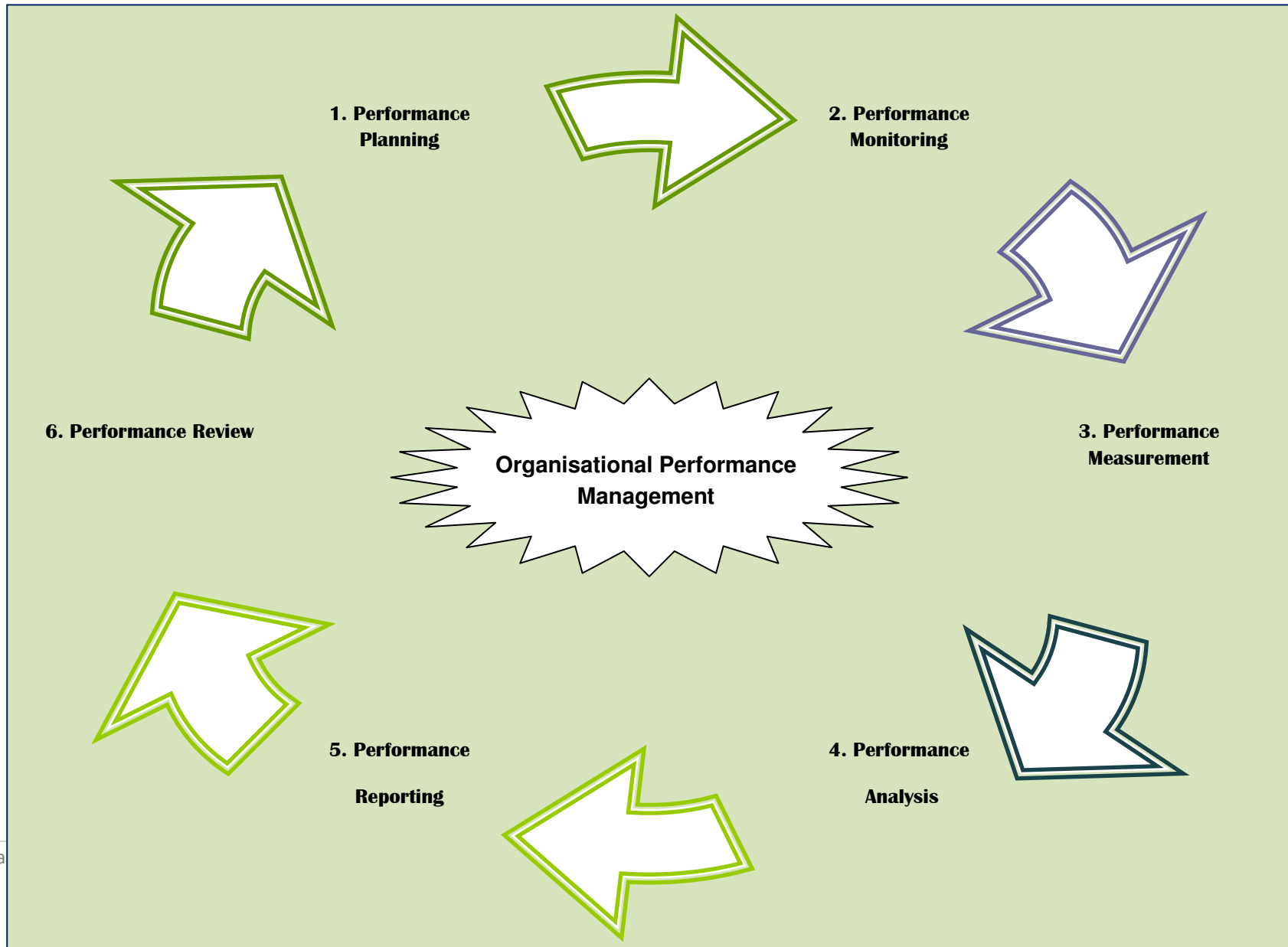
directly accountable to the Municipal Managers have signed the performance agreements and were forwarded to COGTA before the due date. Council Committees are fully functional and effective in performing their delegated tasks.

### 3.5. PERFORMANCE ASSESSMENT

It is reported that quarterly assessments for 2014/2015 were performed as legislated. The 2015/2016 year-end assessments have not been conducted; the results will be included in the final 2015/2016 Annual Report.

**Table .1 BONUSES PAID TO SECTION 54/56 EMPLOYEES**

No	Position held	Period Covered	Performance Bonus Paid/Not Yet Paid
1.	Municipal Manager	01 July 2015 – 30 June 2016	Not Yet Paid
2.	Director Corporate	01 July 2015 – 31 May 2016	Not Yet Paid
3.	Chief Financial Officer	01 July 2015 – 30 June 2016	Not Yet Paid
4.	Director Community	01 July 2015 – 30 June 2016	Not Yet Paid
5.	Director Planning	25 January 2016 – 30 June 2016	Not Yet Paid
6.	Director Technical	01 April 2016 – 30 June 2016	Not Yet Paid





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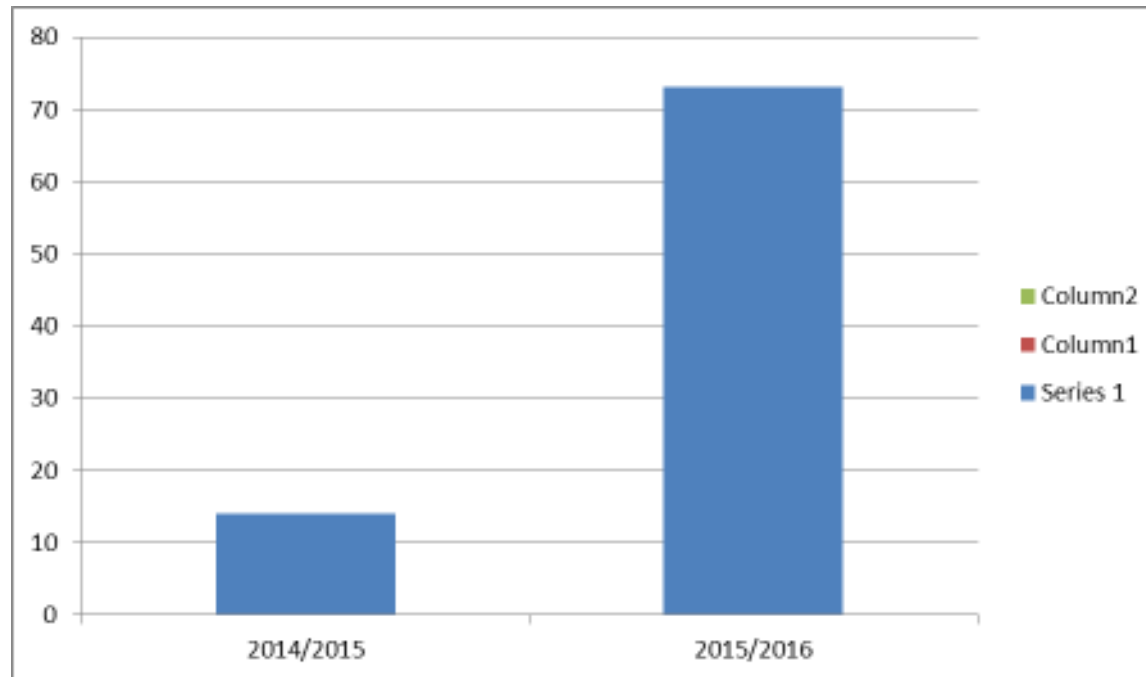
### 3.7. PERFORMANCE AND SUPPORTING INFORMATION

Traffic Light Status	2015/2016 ( Performance)	2014/2015 (Performance)	2013/2014 (Performance )
Municipal Transformation and Organisational Development	63%	83%	83%
Basic Service Delivery and Infrastructure Development	57%	77%	44%
Local Economic Development	80%	80%	75%
Good Governance and Public Participation	73%	14%	73%
Financial Viability and Finance Management	44%	86%	100%
Spatial Development and Environmental Planning	0%	100%	86%

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### 3.7.1. Good Governance and Public Participation

The overall score for this KPA is 73 % for 2015/2016 up with 59% from 2014/2015 financial year.



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#### **3.7.1.1. Performance Highlights for 2015/2016**

Good governance according to the democratic principles is achieved through effective public participation. Not only does public participation allow constituents to monitor the governance record of its elected officials, but it also encourages the public to take an active interest in the performance of their municipality and region. It is only through broad public participation that citizens will recognise that their interests are taken to heart – especially the needs of the most vulnerable members of society. This allows all citizens to be heard in determining the political, social and economic priorities through the establishment of a broad societal consensus that includes civil society, government and the private sector. Active ward-based plans and consultative forums are central structures through which public participation and, ultimately, good governance can be achieved.

This necessarily means that municipalities need to be enabled to perform their duties in order to ensure the implementation of good governance practices and public participation. Section 151 of Chapter 7 of the South African Constitution gives each municipality the right to govern the local government affairs of its community on its own initiative, subject to national and provincial legislation. Additionally, the by-laws of municipal councils are legislative acts that are not reviewable in terms of administrative law.

The Ward Committees were established in terms of Chapter 4 of the Municipal Structures Act, 1998. The ward committee system was designed to ensure that citizens' inputs are taken into account during planning and decision-making processes at local government level. Ward committee functionality has grown vigorously due to the administrative support deployed to public participation and the support in the office of the Speaker. This includes our participation in the Provincial Public Participation Committee and District Public Participation Committee which is stable. The compliance with the guidelines as set by Cogta proves on its own.

#### **3.7.1.2. Challenges**

Challenges are still the same as the ones for last year. The Municipality could not afford to provide the ward committees with stationary and other working resources. The geographically 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. The legislation did not make provision for the remuneration of ward committee members as a result it is difficult to find dedicated members of the community who are willing to serve without remuneration.

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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 convened.

The Municipal Council understand the challenges of having the wards izimbizo and the ward committee meetings taking place as agreed, but to have a budget for that is also challenging since the municipality little budget for the basic services delivery. Another challenge is the financial affordability to train the ward committees in all the modules.

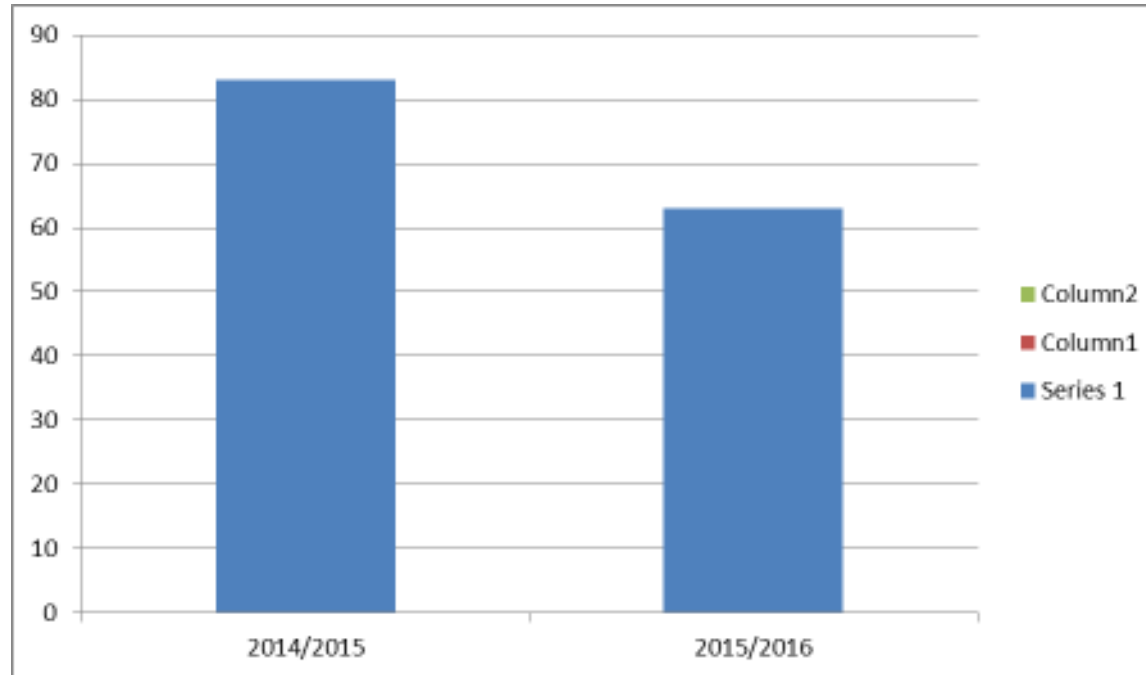
#### **3.7.1.3. Measures taken to improve Performance**

Most of targets that were not achieved in 2014/2015 financial year were achieved during 2015/2016 financial year. The ward committee system is fully operational .The ward committee system was designed to ensure that the grassroots' inputs are considered in planning and decision making processes at the municipal level. The Municipality is trying to provide sufficient administrative and human resource support to the ward committees for the effective and efficient operation.

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### 3.7.2. Municipal Transformation and Organizational Development

The overall score for this KPA is 63% for 2015/2016 down by 20% from 2014/2015 financial year.



#### 3.7.2.1 Performance Highlights for 2015/2016

Performance percentage has gone with 20% in this KPA, but it must be noted that a very crucial target have been achieved under this KPA (the approval of staff establishment by Council is one of crucial targets) It has enabled the Municipality to advertise correctly and employ people in the correct position. Employees will be remunerated accordingly based on job descriptions and relevant qualifications. The workshop that was organised for Councillors will also add value to the functionality of the Municipality

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### 3.7.2.2. Challenges

The municipality does not have enough ICT Equipments to enable municipality to operate fully. Buying ICT Equipments was one of the municipal priorities this financial year but the target was not achieved due to financial constraints. Another crucial challenge is that the municipal by-laws are not gazetted and it has resulted to high level of encroachment in CDB. Historical lack of appetite to comply is still a challenge; this is evident by the fact that the municipality has been all these years not subjecting its new staff to the medical practitioner to examine then as per the pension fund regulation. On the side, employees none adherence to municipal policies has been a challenges and compliance with the Schedule 2 of the Municipal Systems Act which serve as the code of conduct of the municipal employees. Employees could talk to Councillors with whatever matter regardless of the code of conduct. Misconduct and willingness to disrespect the Labour Relations Act on the Dismissible cases or conduct. In 31 May 2016 Director Corporate resigned from the municipality and got appointed at Uphongolo municipality. This became a challenge because the department has to operate without its Director however Municipal Manager acted quickly and recommended to Council to appoint someone to act as a Director in Corporate Services.

### 3.7.2.3. Measures taken to improve Performance

Many employees have been sent to medical practitioner for medical examination as per the pension fund regulation. The municipality has managed this financial year to do staff establishment and it has been approved by Council. To avoid the issue of non-compliance with labour legislations by employees, municipality has been having a slot on labour issues during staff meeting to workshop staff members. The Municipality has committed itself to restore order and without any fear to take stringent measures against any employee who violet the code of conduct and those who have develop immoral desires to swindling for the municipality. The municipality has budgeted for four by-laws to be gazetted in 2016/2017 financial year.

The municipality has budgeted the purchase of ICT Equipments in 2016/2016 financial year. ICT Policies have been approved to ensure that our ICT governance is compliant to the ICT standard.

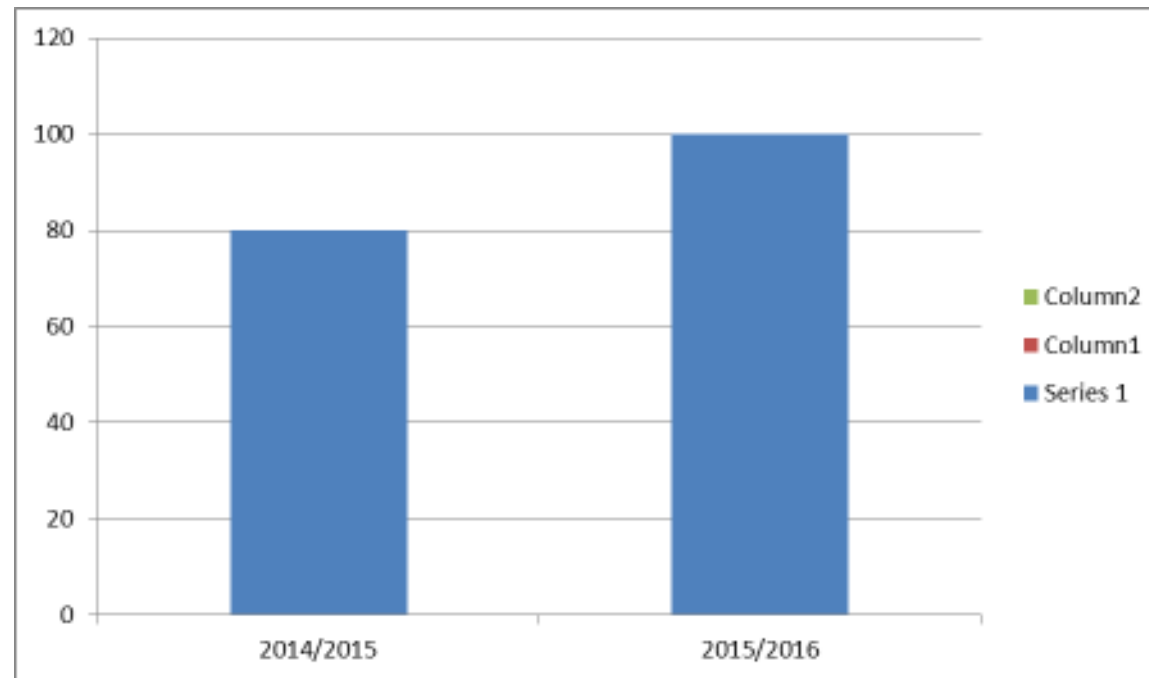
**Training of staff** the municipality has been engaged in training some employees during 2015/2016 financial as a result of the compliance with the MFMA Minimum Competency for our Senior Managers, Line Managers and Finance Staff. Although the municipality has spent so much but it is exciting that the municipality has complied with National treasury. MFMA section 71 Reports: the municipality has tried it level best to comply with the MFMA s71 (1). Further to this SCM Bid Committees are in place.

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The Municipality has policies in place that were approved in 2014/15 financial year. The Skills Development policy which is in line with the Skill Development Act and Skills Levies Act is being adhered too and the Employment Equity Policy which is also in line with the Employment Equity Act. The municipality has reviewed and approved 16 policies in 2015/2016 financial year.

### 3.7.3. Local Economic Development

The overall score for this KPA is 100% for 2015/2016 up with 20% from 2014/2015



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### **3.7.3.1 Performance Highlights for 2015/2016**

Performance percentage in this unit has gone up with 20% compare to 2014/2015 financial year. The percentage obtained does not mean that all is well in Local Economic and Social Development. More should be done to create more job opportunities through LED projects and poverty alleviation initiative.

### **3.7.3.2 Challenges**

The unit has challenges like other department in the municipality .One of key issue is that the post for LED Officer is still vacant since the previous incumbent resigned. There is no proper funding to boast the operation of the unit. The Municipality has got LED strategy that was presented and approved by Council but the challenge is on its implementation. The Municipality could not hold C.T.O meetings because people are invited but they do not attend.

### **3.7.3.3 Measures taken to improve Performance**

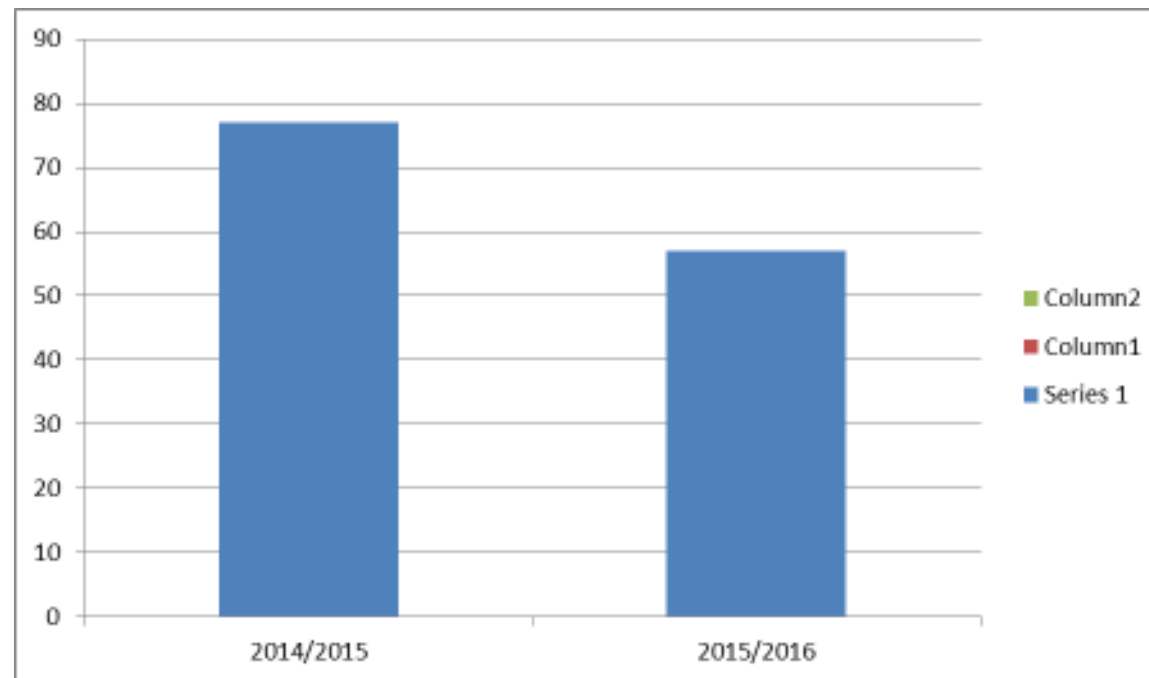
To address the issue of LED Officer who has resigned, the municipality has deployed one official from executive Department to perform LED responsibilities. The Municipality had convened some meetings with local business people and foreign business people with an intention of ironing out some misunderstandings between the two groups. One needs to applaud Hon Mayor for his endless trials in bringing peace at eDumbe.



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### 3.7.4./ .BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

The overall score for this KPA is 57% for 2015/2016 down by 20% from 2014/2015 financial year



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#### **3.7.4.1. Performance Highlights for 2015/2016**

The KPA has gone down with 20% in 2015/2016 financial year. About 57% of targets were completed as of 30/06/2016 as compared to 2014/2015 financial.

#### **3.7.4.2 Challenges**

First three quarters of the 2015/2016 financial year Technical Department has been operating without a Director. This was a challenge as some reports were not done accordingly however the Department has managed to operate smoothly because some of the projects were completed on time. The issue of service providers who do not finish their work on time and some deserted projects is still a challenge, however the level of such scenario has alleviated in 2015/2016 financial year. It was a serious concern to the municipality since service providers compromised project plans for the bigger provincial and big cities projects. The Roads conditions in town, eDumbe Location, Mangosuthu and Bilanyoni are atrociously. There are reasons for this 1st in town the roads need to be rehabilitated, these roads are aging and cannot be patched with the allocation of MIG. 2nd in the location most of the roads were never tarred and even the ones that were tarred were eroded by storm water since there were no storm water drainages. 3rd Mangosuthu and Bilanyoni roads were not properly planned since these areas were not subjected to the town planning scheme before. The sites are designed based on indigenous knowledge. 4th Aging of electricity infrastructure and bridging of electricity is still a huge challenge in our municipality.

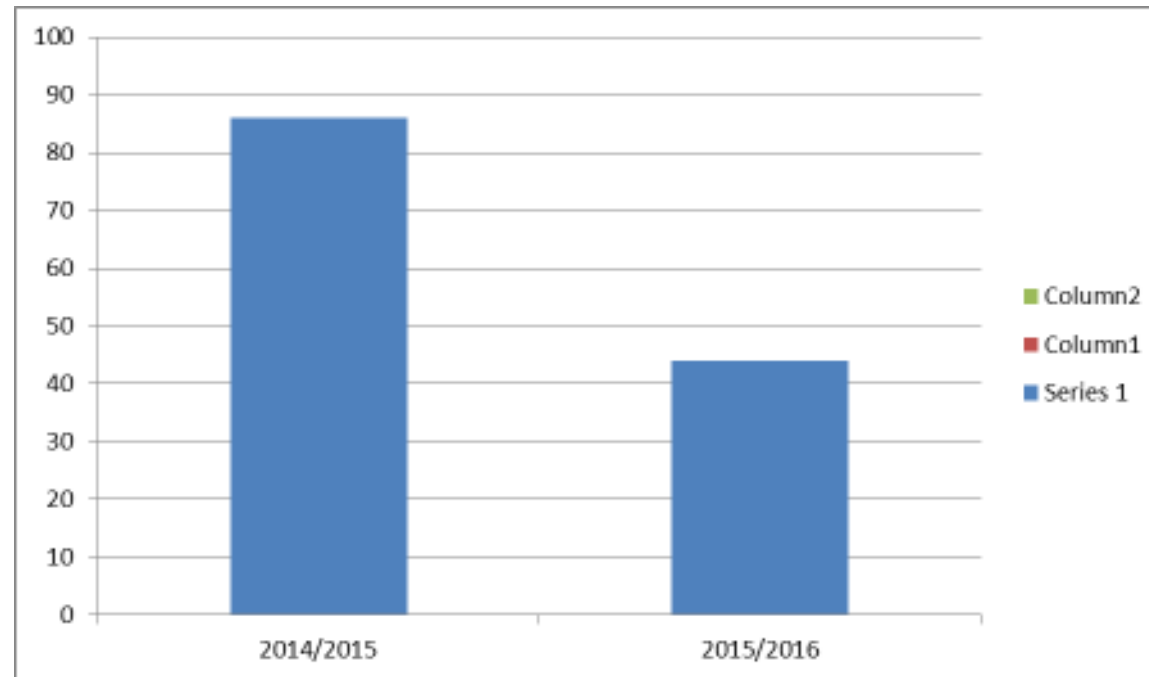
#### **3.7.4.3 Measures taken to improve Performance**

The municipality has appointed Director Infrastructure and he assumed his duty on the 1 of April 2016. The post for senior electrician has also been filled and this will enhance the performance of the department. A support plan has also been made between the municipality and Cogta with regard to some challenges facing the municipality. The municipality had several meetings with Zululand District Municipality in trying to address the issue of water and sanitation in Paulpietersburg town.

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### 3.7.5. Financial Viability and Finance Management

The overall score for this KPA is 44% for 2015/2016 down by 42% from 2014/2015



#### 3.7.5.1 Performance Highlights for 20152016

This financial year the relationship between Rates Payers Association and Municipality has improved. It has been noted that some of their members paying their services to the municipality. The situation experienced by municipality in 2012/2013, 2013/2014 and 2014/2015 where some community members were paying to the Rates Payers Association has improved.. The Municipality has tried to put stringent measures in the capital and operational expenditures to ensure that there is a core relation between the expenditure and the projects plan.

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### 3.7.5.2 Challenges

Most challenges experienced by the municipality in the last financial have not improved that much. Some people still do not want to pay for the services they receive from the municipality. The level of bridging electricity is still there and is high however the municipality has approved the installation of smart meters which we believe are going to minimized the problem. The bridging of electricity is causing the Municipality to pay Eskom more than what the municipality is collecting from the residents. Even business people are reluctant to pay for the electricity. Based on the observation of the municipality there are professionals who are residing in these areas who do not by any chance qualify to be indigent but claim to be indigents and it cost the municipality a lot of money. Submission of section 71 monthly budget statements and understanding of new financial system by all staff has also been identified as a challenge. The following important documents still need to be finalized.

- Indigent register.
- Asset Register
- Enhancement Revenue Strategy

Revenue Enhancement Strategy is there but still needs to be presented for approval before it is implemented. Asset Register and Indigent register both need some final touches and approval before they are implemented.

### 3.7.5.3 Measures taken to improve Performance

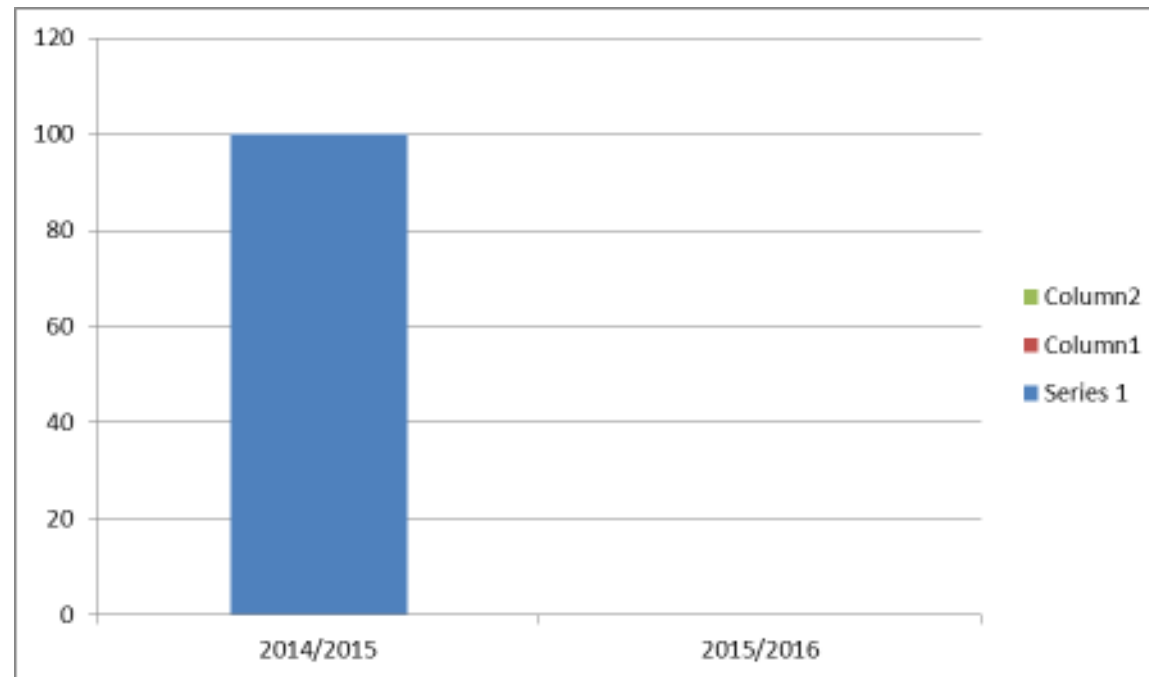
To curb the issue of illegal connections, the municipality has appointed a service provider to provide Smart metering solution .This will improve the revenue collection of the municipality. The municipality is currently collecting the household's information to verify the information on the indigent register. . This emanated from the speculation which says all household in eDumbe Location and Bilanyoni are indigents which logically is incorrect. Based on the observation of the municipality there are professionals who are residing in these areas who cannot by any chance qualify to be indigent. The municipality has then commissioned the team to get house by house to verify the ownership and members of the households. The council has decided to exempt interests on rates accounts until that the indigent register is finalised.

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This will assist in recovering some of the debt which can be recovered. 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.

### 3.7.6. Spatial Development and Environmental Planning

The overall score for this KPA is 0% for 2015/2016 down by 100% from 2014/2015 financial year



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### **3.7.6.1 Performance Highlights for 2015/2016**

The overall score for this KPA is 0%. There are some issues that need to be ironed out. The entry face of our town is a disaster and it contributes towards the migration of middle class to settle in nearby towns like Vryheid, Newcastle and Piet Retief. Illegal development is also a contributory factor towards this migration as middle class people fear that their properties might lose value due to illegal developments

### **3.7.6.2 Challenges**

Housing projects are delayed by the land issues which are not resolved since most of the land is privately owned and some state owned and the transfer of ownership which is unbecoming. Despite all the challenges the implementing Agents are busy on sites packaging the projects and registering the beneficiaries. The formalization of Mangosuthu area which was going to add more revenue to the municipality when the residents pay their rates has not been finalized. Lumps at eDumbe and Bilanyoni are still not yet finished.

### **10.6.3 Measures taken to improve Performance**

The post for Director Planning has been filled and there has been a lot of improvement in the department. The Council has adopted the Municipal Process Plan and has been abiding by it in developing the IDP and the community participation through ward committees has been always ensured. Hon Mayor and the council have been able to conduct IDP izimbizo in all wards. The community was afforded an opportunity to contribute in the IDP formulation

3.8. Access to basic services

Table 1

eDumbe Municipality	2013/2014		2014/2015				2015/2016			
	Housing	Refuse removal	Electricity (in house)	Housing	Refuse removal	Electricity (in house)	Housing	Refuse removal	Electricity (in house)	
No. of H/holds	Actual	5181	Actual	0	Actual	10109	Actual	0	Actual	159
	Target	5181	Target	0	Target	10109	Target	0	Target	1900
	Actual	0	Actual	0	Actual	10109	Actual	5181	Actual	1741
	Target	0	Target	0	Target	10109	Target	5181	Target	1741
	Backlog									
	Demand									
	Backlog									
	Demand									
	Actual									
	Target									
	Baselin									
	Backlog									
	Demand									
	Actual									
	Target									
	Baselin									
	Corrective Measure									
	Implementing agents are in place busy with packaging of Housing Projects									

Housing Backlogs =5417  
 Electricity Backlogs = 1741 household

The number provided on refuse removal (5181) only talks about people residing in town not on the township.

The municipality has a problem of service providers who fail to finish projects on time. There are many reasons alluded to the tendency of failing to finish the projects on time, one being the under quoting of contractors. Some contractors decide to desert the project without reporting. The PMU was fighting over the completion of projects. It was a serious concern to the municipality since service providers compromised our project plans for the bigger provincial and big cities projects.

Housing projects are delayed by the land issues which are not resolved since most of the land is privately owned and some state owned and the transfer of ownership which is unbecoming. Despite all the challenges the implementing Agents are busy on sites packaging the projects and registering the beneficiaries.

**Table 2**

**3.9. Indigent Policies and Registers**

eDumbe Municipality	2013/14			2014/15			2015/16		
	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place
Y/N:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Date:									

Indigent register has been drafted what is left is to present to council for approval. In 2016/17 financial year the municipality will present the indigent register to council for approval.



**3.10 Status on the provision of free basic services by eDumbe Municipality (2015/16)**

eDumbe Municipality	Electricity				Demand	Refuse removal				
	No of indigent households receiving free service	Target	Actual	Units per household (kwh)		No of indigent households receiving free service	Target	Actual	Demand	Units/ R value pm per household
Number of H/holds and units	776	776	776	20		776	776	776	-	n/a

eDumbe Municipality is responsible for delivering basic services as per the legislation. eDumbe Municipality has electricity license which bound it to provide free electricity to its indigent people. We also provide refuse removal to the community staying in urban areas.

**3.11. Status on the provision of access roads by the eDumbe Municipality (2015/2016)**

eDumbe Municipality	Tarred Access Roads						Gravel Roads					
	No of tarred roads	Target	Actual	No of KMs	Targeted KMs	Actual KMs	No of gravel roads	Target No of gravel roads	Actual No. of gravel roads	No of KMs	Targeted No. of KMs	Actual No. of KMs
Number of roads made	3	3	3	18km	18km	18km	28km	35km	35km	50km	28 km	50km

Roads infrastructure development and maintenance is an ongoing challenge since even people who reside along the provincial roads want the municipality to maintain their roads which is not the municipal competency. The municipality has a challenge of rehabilitating roads in town and townships. Using the municipal plant the gravel roads which falls within the municipal competency are being maintained in all wards, the new plan that has been presented to Council is to have a quarterly schedule for the plant to all wards so that ward committees can monitor the performance of each ward in as far as the gravel roads is concerned. The other challenge is the utilization of the plant by the operators who seems to be lacking skills and understanding of the Plants.

The town and township roads the municipality has applied for MIG funding for the roads and there is a plan to redo some of the roads and put traffic humps and cycle. Though the MIG funding allocation will not address the road problem over one year, since all our town roads are old, and cannot be patched

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## Challenges

The Municipality has a great challenge in satisfying the needs of its community more especially when it comes to basic service delivery. We are a small municipality with a lot of developmental needs which our budget cannot make it. Nevertheless the municipality is trying its level best to deliver to its clients as required by the law. The infrastructure we use is very old and it can no longer be used for new purposes since it need to be renewed.

Roads; our roads system is very old and it can no longer be rehabilitated and it need to be scraped and redone which will cost the municipality the amounts that it does not have. Town roads are critical since are the entry points for any economic opportunity and investors get discouraged by our roads systems.

Access Roads in township is has degraded and it needs to be improved while the township expands time and again but there is no improvement. The community deserves good access roads which the municipality cannot afford. Rural roads which need to be maintained by graders are too many and there is no linkage between the municipality and the Department of Transport to ensure that all roads that belong to the provincial departments is being maintained from time to time.

The municipality bought the two Graders and two Dozers with a sole aim to improve the lives of our people. This plant is assisting in maintaining the rural roads and opening public sport fields.

Refuse collection; the two trucks are not enough to clean the three formalized areas and this is costing the municipality overtimes which can be avoided should we have money to buy the other one. The municipality has appointed a team of people to work over the weekend cleaning the town streets and open spaces.

The maintaining the waste management without the legal dumping site is a challenge and people residing next to the site are always complaining which the municipality cannot fast track but has been trying to push for the site identification of the new dumping site. This is coming with financial implication which the municipality cannot afford; as a result it has been dragging till today.

Storm water management; the municipality has identified the problem of storm water management which also adds more challenges; the Paulpietersburg town has no proper storm water management system. The storm water runs from the town to the nearby river, this is causing a serious challenge in the environment.

## Measures taken to improve performance

The council was disappointed by the withdrawal of the éDumbe on the Small Town rehabilitation Programmes which help small towns to revive the infrastructure and beautify the towns. The éDumbe was announced as part of the beneficiaries list but latter on was excluded.

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This took away the opportunity of rehabilitating our town roads, electricity and storm water in town. This was going to attract more investments in the area and job opportunities to the local people.

ÉDumbe is still using a pitch sewer system which is not good for town development and investment. Yes it is not the function of the éDumbe municipality to develop the sanitation system but for the District. The actual fact is, it affect the development of our town and the investments in the area.

#### **Recommendations**

1. To engage COGTA consider including the éDumbe Municipality in the small town rehabilitation programme.
2. That the municipal Infrastructure Investment Plan be developed to indicate the targeted projects and areas
3. That the municipality should engage other stakeholders to source funding for capital projects
4. That the existing infrastructure be rehabilitated to accommodate the existing demand on service delivery.

### **3.12. FINANCIAL HEALTH OVERVIEW**

#### **Introduction**

Profound fiscal efficacy, discipline, prudence and monitoring all provide a sound basis for the delivery of all the key and fundamental municipal objectives. It is therefore imperative that municipalities not only purport to portray but embrace an intrinsic and frugal duty to maximize revenue potential while transparently managing public finances as set out in the Municipal Finance Management Act 2003, and the Municipal Property Rates Act 2004 following the proper International Accounting Standards as prescribed in policy and regulation. The guidelines set therein provide for effective accountability, evident financial sustainability and a financial viability conducive to infrastructure investment and service delivery.

**The financial performance of municipalities is based on the 2015/2016 financial statements.**

- Financial viability data is based on the 2015/2016 financial statements of the municipalities. Municipal financial statements are not all in the same format, there are instances where it is difficult to compare the same items across municipalities. In cases where ambiguity may exit, please refer the municipality's individual financial statement.
- An attempt is made to ensure that the data tables in this report are for the status as at end June 2016.

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- Audited financial statements were requested from municipalities and the statements received are considered audited unless unaudited set was received and it wasn't highlighted as such by the municipality.
  - Interpretations of the annual financial statements were made based on the statements received from municipalities.

### **Financial Viability**

This is the main prescribed key performance indicator. It is therefore compulsory for all municipalities to submit annual reports on achievements or challenges encountered in achieving according to ratios set in the 2001 Regulations.

The financial viability of Local Government is measured using three key performance indicators:

- a) Debt coverage which denotes the rate at which a municipality to meet its debt service payments with the financial year from its own sources of revenue. A municipality should have 20% debt coverage.
- b) Outstanding service debts to revenue refer to the ability of a municipality to service its debts dependant on the rate at which the municipality collects amounts owed to it. In other words it represents the ratio of outstanding debtors to total revenue.
- c) Cash flow measures the rate at which municipalities can cover their costs, that is the debtor collection rates which result in sufficient cash to enable the municipalities to meet their day to day operational costs. It is mandatory for municipalities to determine cash flow requirements to maintain operations and also have adequate measures to foresee the need to alter operations as required.

### **Challenges**

The municipality had a challenge in collecting its revenue especially from residents who decided to stop paying their accounts due to their dissatisfaction on service delivery pace. This has lead to the municipality not achieving its target on revenue collection and cash flow problem.

The Municipality has established the Cash flow Committee to monitor the cash flow verses the procurement requisitions. The Cash Flow Committee has done tremendously work in terms of controlling cash flow..

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### **Measures taken to improve performance**

The municipality has filled all the critical post in finance to ensure that we have all the relevant officials in the municipality finance department. Revenue section and debt collection have been capacitated to ensure that the municipality is improving. The municipality is continuing correcting the addresses of the debtors to ensure that it has correct contact information of the debtors.

### **Recommendations**

1. That the municipality observe and comply with the MFMA in governing the municipal finances
2. To implement revenue enhancement strategy and gazette the by – laws

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# **CHAPTER 4**

# **ORGANISATIONAL**

# **DEVELOPMENT PERFORMANC**

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## CHAPTER 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

#### 4.1. Development and Implementation of specific HR policies and systems per municipality

The Human Resources Development Strategy (HRDS) of South Africa's key mission is to maximise the potential of our people through knowledge and skills acquisition to improve livelihoods – (HRDS SA 2001). Capacity building at municipalities is crucial in achieving effective service delivery. As such, Human Resource management is aimed at strengthening institutional capacity. This is enshrined in the Municipal Systems Act of 2000: 68. (1)A municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act, 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

The HRD Strategy consists of 5 strategic objectives, namely: Improving the foundation for human development; developing high quality skills that are more responsive to our developmental Needs; Improving and increasing employer participation in lifelong learning; supporting employment growth through creative innovation and policies; and Ensuring that the four objectives above are linked.

The table below indicates the status with regards to the development and implementation of specific HR policies by municipalities.

#### Employment Equity

This indicator is solely to determine the targets that the municipalities have either successfully achieved or partly achieved, as stipulated in their employment equity plans approved by the municipal councils. It incorporates the General Key Performance Indicator prescribed by the Minister in terms of Regulation 10 (e) of the Municipal Performance Management Regulations of 2001 which reads as follows:

“Number of people employed from employment equity target groups employed in the three highest levels of management in compliance with the municipality's employment equity plan”.

#### Skills Development

This focus area is in response to one of the prescribed key performance indicators in terms of the Municipal Performance Management Regulations of 2001. All municipalities are obliged to report on progress in building skills capacity to deliver according to the developmental mandate.



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### Recruitment Policy

This is an implementation plan of the HRD strategy and the Employment Equity which require the specific inclusion and consideration of designated groups when recruiting employees of the municipality. The Policy should be in line with the Labour Relations Act by specifically describing the procedure to be followed when filling the vacancy.

### Leave Policy

This policy provides a guideline on how leave will be managed to ensure proper implementation of the Basic Conditions of Employment Act which is generally applicable to all working environments. This policy prescribe the procedure to be followed when the employee want to apply for a leave and the various categories of leaves that are applicable in that particular organization.

### Adoption of Workplace Skills Plans

Number of local government staff trained during the year under review as compared to 2015/16 and percentage of budget spent in implementing municipalities' Skills Development Plans

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

HR POLICIES		
No.	Name of Policy	Completed & Reviewed
1.	Municipal Chronic Policy	These policies were developed and adopted by Council in 2015/2016 financial year.
1.	Dress Code Policy	
3.	Exit Interview Policy	
4.	Induction Policy	
5.	Health and Safety Policy	
6.	Leave Policy	
7.	Subsistence and Travelling Policy	
8.	Overtime Policy	
9.	Protective Clothing Policy	

10.	Selection and Recruitment Policy	
11.	Remuneration Policy	
12.	Sexual Harassment Policy	
13	Fleet Management Policy	
14	Training and Development Policy	
15	Transfer and Staff Policy	
16	Supply Chain Management Policy	

<b>Number and Period of Suspensions</b>				
<b>Position</b>	<b>Nature of alleged Misconduct</b>	<b>Date of Suspension</b>	<b>Details of Disciplinary Action taken or status of the case and Reasons why not Finalised</b>	<b>Date Finalised</b>
Senior Professional Town Planner ( Mr S.G.Ndaba )	Charges are as follow <ul style="list-style-type: none"> <li>• Late coming on duty.</li> <li>• Fraud/Dishonesty</li> <li>• Absent on duty without permission.</li> </ul>		<b>Result</b> : Termination of service	The suspension was finalised on 27/06/2016.

4.2. Compliance with the EEA

Table 1: Women appointments – Section 56/7 Managers

CORRECT

eDumbe Municipality	2013/2014			2014/2015			2015/2016		
	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers
Number:	6	2	0	6	1	0	6	1	0

The above graph shows that the percentage of women appointed in section 56/57 position at eDumbe municipality is very low. A lot must be done to improve the situation.

### 4.3. Municipal Posts

**Table 2: Employment of people with disabilities (The entire Organization)**

eDumbe Municipality	2013/2014			2014/2015			2015/2016		
	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities
Number:	0	0	0	0	0	0	0	0	0

The municipality has never had a senior manager who is disabled; we have always encouraged the people with disabilities to apply when there are vacant positions to be filled by the municipality. We are current having full management with no gap in terms of senior managers.

**Table 3: Employment of employees that are aged 35 or younger (Whole Organization)**

eDumbe Municipality	2013/2014			2014/2015			2015/2016		
	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger
Number and percentage	169	65	38%	162	58	39%	153	58	38%

The municipality is keen to ensure its sustainability and continuity by employing young people in various positions. Even in senior management positions, eDumbe Municipality has four S56/7 managers and two of them are youth

**Table 4: Development and Implementation of specific HR policies and systems per municipality – 2015/16**

eDumbe Municipality		Recruitment and selection policy			Skills Development Plan			EE Plan			HRM and HRD Strategy		
		Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented
	Y/N	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Date	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016

EDumbe Municipality has adopted 16 HR policies in 2015/2016 financial year. This HR policies have been implemented and will also be implemented in 2016/2017 for proper operation of the municipality.. This is the step forward in ensuring compliance with Labour Relations Act. We have never missed due date for the skills development Report and plan.

**COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

**4.5. Workplace Skills Plan**

**Table 5: Workplace Skills Plans submitted by municipalities**

Management level	eDumbe municipality	2013/2014		2014/2015		2015/2016	
		Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained
Councillors	15	15	15	15	15	15	0
Senior Management level	06	06	06	06	06	06	01
Middle Managers	11	14	11	14	11	14	11
Technicians and professional	00	02	00	02	00	02	00
Clerks	N/A	N/A	N/A	N/A	N/A	60	00
<b>TOTAL</b>	<b>32</b>	<b>37</b>	<b>32</b>	<b>37</b>	<b>32</b>	<b>97</b>	<b>12</b>

**Section 139 interventions**

**Table 6: Has the municipality been put under section 139 interventions. If YES, which year(s)**

	2013/2014	2014/2015	2015/2016
Y/N:	No	No	No
Year:	-	-	-

In 2015/2016 the council adopted policies to strengthen the governance of the municipality, and to provide clear guidelines on the administration of staff development of the municipality. The municipality did not have some of these policies .They have been developed to close the identified gaps and some were ordered by the queries of the Auditor General. The Municipality is monitoring the full implementation of these policies even though some need to be supported by the by – laws which the municipality is have planning to gazette some in 2016/17 financial year .



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## COMPONENT D. : MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

### 4.6 JOB EVALUATION

The municipality has conducted Job Evaluation in 2015/2016 financial year to ensure that employees are remunerated accordingly and they perform as per their job descriptions. Most of the employees benefited from this exercise as some of them were not clear about their job descriptions and some were not remunerated accordingly. It also benefited the municipality as employees started to understand more clear the issue of line function.

### 4.7. REMUNERATION

EDumbe Municipality Employees are remunerated in terms of the TASK Grade System which started after the Job Evaluation process was completed and approved by the Council. The remunerations due date is 25th and 30 of each month to permanent and contractual employees.

### 4.8. BENEFITS

Employees are receiving statutory benefits such as Medical Aid, Unemployment Insurance, and Skills Development Levy and Pension. Other employees have Vehicle Allowances and Cell phone Allowances which are paid in terms of vehicle allowance policy and Cell phone allowance respectively.

### 4.9. TERMINATION

EDumbe Municipality has terminated the service of 7 employees due to death, retirement, resignation, and dismissal. The municipality has also terminated the service of 1 employee due to medical boarding.

### 4.10. LEAVE

EDumbe Municipality took the excessive annual leave in line with the SALGBC Main Collective Agreement as well as the Basic Conditions of Employment Act as amended. At the end of the leave cycle, all leave credits were quantified to formulate leave provision for 2016/2017 financial year.

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# **CHAPTER 5**

# **FINANCIAL**

# **PERFORMANCE**

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## COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

eDumbe Local Municipality

Financial statements

for the year ended 30 June 2016

Auditor General of South Africa

Registered Auditors



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# eDumbe Local Municipality

(Registration number KZN 261)

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Financial Statements for the year ended 30 June 2016

## General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main purposes of the municipality is to engage in local governance activities, which include planning and promotion of integrated development planning, economic and environmental development and provision of services to the community. The municipality provides services such as electricity services, refuse removal, public safety services.
Mayoral committee	
Honourable Mayor	Cllr BM Nxusa
Councillors	Cllr S Mkhabela (Deputy Mayor) Cllr NR Simelane (Speaker) Cllr SJ Kunene (EXCO member) Cllr RC Gevers Cllr NM Nhlabathi Cllr DZ Mtshali Cllr SE Thela Cllr TP Sibeko Cllr ND Ndlangamandla Cllr MP Khumalo Cllr IAT Mbatha Cllr NZ Keswa Cllr TB Shabalala
Grading of local authority	3

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Chief Finance Officer (CFO)

Mr S Mngwengwe

Accounting Officer

Mr TV Mkhize

Registered office

10 Hoog Street

PaulPietersburg

3180

Business address

10 Hoog Street

PaulPietersburg

3180

Postal address

Private Bag X308

PaulPietersburg

3180

Bankers

First National Bank

Auditors

Auditor General of South Africa

Registered Auditors

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# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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## Index

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

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Statement of Financial Position	4
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 14
Accounting Policies	15 - 39
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The following supplementary information does not form part of the financial statements and is unaudited:

Statement of Financial Performance	5
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### Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice

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GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

## 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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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



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The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the XXXX Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the XXXX Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors and audit committee.

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

The financial statements set out on pages 4 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer

Mr TV Mkhize

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	135 897	287 982
VAT Receivable	13	505 444	-
Receivables from non-exchange transactions	5	9 993 767	6 967 237
Receivables from Exchange Transaction - Consumer debtors	4	3 387 043	3 511 785
Cash and cash equivalents	6	719 257	1 115 766
		14 741 408	11 882 770
<b>Non-Current Assets</b>			
Investment property	10	10 996 786	10 996 786
Property, plant and equipment	7	272 970 089	243 275 330
Intangible assets	9	23 253	35 568
Heritage assets	8	147 149	147 149
		284 137 277	254 454 833
<b>Total Assets</b>		<b>298 878 685</b>	<b>266 337 603</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
VAT Payable	13	-	335 945
Payables from exchange transactions	12	36 372 258	21 933 705
Consumer deposits	14	231 899	229 505
Unspent conditional grants and receipts	15	1 046 138	2 769 552
Provisions	16	-	2 591 948
Current Portion of Long-term Liability	11	62 698	2 087 677

Finance Lease Obligation		2 231 313	<u>233 036</u>
		39 944 306	<u>30 181 368</u>
Non-Current Liabilities			
Finance lease obligation	49	4 226 144	375 849
Employee benefit obligation	17	7 585 000	5 783 000
Provisions	16	1 426 244	<u>1 357 810</u>
		13 237 388	<u>7 516 659</u>
Total Liabilities		53 181 694	<u>37 698 027</u>
Net Assets		245 696 991	<u>228 639 576</u>
Reserves			
Other NDR		100 348	100 348
Accumulated surplus		245 596 643	<u>228 539 228</u>
Total Net Assets		245 696 991	<u>228 639 576</u>

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	19 806 687	19 380 120
Rental of facilities and equipment	50	1 345 652	1 422 698
Licences and permits		858 131	1 114 965
Other income	24	<u>1 268 380</u>	<u>542 957</u>
Interest received - investment	23	<u>298 280</u>	<u>276 102</u>
Total revenue from exchange transactions		<u>23 577 130</u>	<u>22 736 842</u>
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	14 055 902	7 400 064
Transfer revenue			
Government grants & subsidies	20	94 729 371	92 260 839
Fines, Penalties and Forfeits	22	<u>3 588 441</u>	<u>3 639 974</u>
Total revenue from non-exchange transactions		<u>112 373 714</u>	<u>103 300 877</u>
Total revenue		<u>135 950 844</u>	<u>126 037 719</u>
Expenditure			
Audit Fees	26	(1 366 922)	(990 265)
Bulk purchases	27	(16 679 087)	(15 245 219)
Contracted services	28	(3 547 277)	(2 822 149)
Debt Impairment	21	(8 115 818)	(5 710 523)
Depreciation and amortisation	7	(10 982 285)	(7 796 973)
Employee related costs	29	(37 011 531)	(30 631 290)

Finance Cost	30	(3 454 281)	(1 066 089)
General Expenses	31	(27 114 905)	(19 558 141)
Impairment loss - Traffic Fines		(2 062 153)	(4 192 897)
Lease rentals on operating lease	33	(751 696)	(1 945 244)
Remuneration of councillors	34	(5 216 844)	(4 651 836)
Repairs and maintenance		(2 011 838)	(1 271 017)
Operating Grant Expenses	32	(5 417 057)	(5 988 261)
Total expenditure		(123 731 694)	(101 869 904)
Operating surplus		12 219 150	24 167 815
(Loss) gain on disposal of assets and liabilities		(177 279)	45 919
Actuarial gains/losses	17	(802 238)	(403 184)
		(979 517)	(357 265)
Surplus for the year		11 239 633	<u>23 810 550</u>

The accounting policies on pages 15 to 39 and the notes on pages 40 to 76 form an integral part of the financial statements.

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# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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## Statement of Changes in Net Assets

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Figures in Rand	<del>Other NDR</del>	<del>Accumulated</del> surplus	<del>Total net</del> assets
Balance at 01 July 2014	100 348	204 728 678	204 829 026
Changes in net assets			
Deficit for the year		<u>- 23 810 550</u>	<u>23 810 550</u>
Total changes		<u>- 23 810 550</u>	<u>23 810 550</u>
Restated* Balance at 01 July 2015	<del>100 348</del>	<del>228 539 228</del>	<del>228 639 576</del>
Changes in net assets			
Correction of Error		- 6 236 680	6 236 680
Changes in net assets		- (418 898)	(418 898)
Net income (losses) recognised directly in net assets		- 5 817 782	5 817 782
Surplus for the year		- 11 239 633	<u>11 239 633</u>
Total recognised income and expenses for the year		- 17 057 415	<u>17 057 415</u>
Total changes		- 17 057 415	<u>17 057 415</u>
Balance at 30 June 2016	100 348	245 596 643	<u>245 696 991</u>
Note(s)			

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand

Note(s) 2016 2015  
Restated\*

### Cash flows from operating activities

#### Receipts

Sale of goods and services

Grants

Interest income

	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	29 175 366	30 362 796
	93 005 957	89 260 946
	298 280	276 102
	<u>122 479 603</u>	<u>119 899 844</u>

#### Payments

Employee costs

Suppliers

Finance costs

Remuneration for Councillors

	(33 716 192)	(32 243 084)
	<u>(44 098 655)</u>	<u>(48 173 062)</u>
	(2 863 979)	(1 066 089)
	<u>(5 216 844)</u>	<u>(4 651 836)</u>
	<u>          </u>	<u>          </u>
	(85 895 670)	(86 134 071)

Net cash flows from operating activities

35 36 583 933 33 765 773

### Cash flows from investing activities

Purchase of property, plant and equipment

Proceeds from sale of property, plant and equipment

Proceeds from sale of non- current receivables

7	(32 793 127)	(34 397 190)
7	-	80 476
	-	<u>137 648</u>

Net cash flows from investing activities	(32 793 127)	(34 179 066)
Cash flows from financing activities		
Movement in current portion of long term liability	(2 024 979)	297 355
Medical Retirement	68 977	-
Repayment of shareholders loan	-	-
Finance lease payments	(2 231 313)	(233 036)
Net cash flows from financing activities	(4 187 315)	64 319
Net increase/(decrease) in cash and cash equivalents	(396 509)	(348 974)
Cash and cash equivalents at the beginning of the year	1 115 766	<u>1 464 740</u>
Cash and cash equivalents at the end of the year	6	719 257 <u>1 115 766</u>



# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	29 023 877	(72 558)	28 951 319	19 806 687	(9 144 632)	The water drought affected the municipality as most consumers were consuming less on electricity since no geysers used.
Rental of facilities and equipment	1 452 010	108 766	1 560 776	1 345 652	(215 124)	Anticipated rent for ZDM offices had some challenges which are still being addressed.
Licences and permits	977 370	(344 493)	632 877	858 131	225 254	Improvement in

						terms of attracting more people to come for services even though some activities are still on hold due to rehabilitation of the centre.
Other income - (rollup)	1 069 113	(462 074)	607 039	1 268 380	661 341	Insurance amount which was not anticipated was received of R800 000.
Interest received - investment	150 000	16 115	166 115	298 280	132 165	Investment done and interest on primary account received were more than anticipated.
Total revenue from exchange transactions	32 672 370	(754 244)	31 918 126	23 577 130	(8 340 996)	

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	8 568 029	1 281 233	9 849 262	14 055 902	4 206 640	SV roll implemented for Natal Spa and Public works properties had a huge impact.
Transfer revenue						
Government grants & subsidies	63 497 500	34 691 500	98 189 000	94 729 371	(3 459 629)	The grants and subsidies included the capital grants which are only recognised as income once the condition is met..
Fines, Penalties and Forfeits	1 849 241	632 877	2 482 118	3 588 441	1 106 323	The budget was not correctly done because its

only included  
cash to be  
received not  
fines to be  
issued.

Total revenue from non-exchange transactions	73 914 770	36 605 610	110 520 380	112 373 714	1 853 334
Total revenue	106 587 140	35 851 366	142 438 506	135 950 844	<u>(6 487 662)</u>

Expenditure

Personnel	38 592 835	(880 391)	37 712 444	37 011 531	(700 913)	They were vacancies which we not filled on time during the year and the resignation of section 57 employees also resulted to underspending
Remuneration of councillors	4 861 911	88 892	4 950 803	5 216 844	266 041	Calculation was not 100% when budget was done.

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Audit Fees	1 900 000	100 000	2 000 000	1 366 922	(633 078)	1% was applied from National Treasury and they paid it to Auditor-General
Depreciation and amortisation	2 047 293	792 446	2 839 739	10 941 646	8 101 907	The budgeting of non-cash items has been a challenge which will be addressed by management
Impairment loss/ Reversal of impairments	-	-	-	(2 062 153)	(2 062 153)	The budgeting of non-cash items has been a challenge which will be addressed by management
Finance costs	150 000	(70 000)	80 000	(3 454 281)	(3 534 281)	Amount include the non-cash item which has become a

						challenge to accurately budget for them
Lease rentals on operating lease	1 300 000	(164 000)	1 136 000	(751 696)	(1 887 696)	Rentals were closely monitored hence spending was 97%
Bad debts written off	-	-	-	(8 115 818)	(8 115 818)	The budgeting of non-cash items has been a challenge which will be addressed by management
Repairs and maintenance	3 306 667	(585 667)	2 721 000	(2 011 838)	(4 732 838)	Underspent due to cash flow. Departments couldn't proceed with processes while municipality doesn't have cash at the bank.

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Bulk purchases	18 012 000	1 704 896	19 716 896	(16 679 087)	(36 395 983)	Billing from Eskom was estimated
Contracted Services	3 480 000	(80 000)	3 400 000	(3 547 277)	(6 947 277)	Cut costing measures to monitor the spending was implemented on vehicles and no invoices were sent by Assets consultants
Transfers and Subsidies	300 000	(300 000)	-	(5 417 057)	(5 417 057)	Unspent grant from other grants resulted in underspending
General Expenses	30 843 463	11 054 313	41 897 776	29 698 522	(12 199 254)	Non cash items was not taken into account during

						budgeting which resulted to the <u>overspending.</u>
Total expenditure	104 794 169	11 660 489	116 454 658	42 196 258	<u>(74 258 400)</u>	
Operating surplus	211 381 309	47 511 855	258 893 164	178 147 102	(80 746 062)	
Loss on disposal of assets and liabilities	-	-	-	(177 279)	(177 279)	The budgeting of non-cash items has been a challenge which will be addressed by management
Actuarial gains/losses	-	-	-	(802 238)	(802 238)	The budgeting of non-cash items has been a challenge which will be addressed by management
	-	-	-	(979 517)	(979 517)	
Surplus before taxation	211 381 309	47 511 855	258 893 164	177 167 585	<u>(81 725 579)</u>	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	211 381 309	47 511 855	258 893 164	177 167 585	(81 725 579)	



# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	388 710	-	388 710	135 897	(252 813)	
Current tax receivable	153 378	-	153 378	505 444	352 066	
Receivables from non-exchange transactions	9 501 908	-	9 501 908	9 993 767	491 859	Debt Collection challenges has resulted to the huge amount not paid by customers.
Consumer debtors	6 000 000	-	6 000 000	3 387 043	(2 612 957)	Debt Collection challenges has resulted to the huge amount not paid by customers
Cash and cash equivalents	2 385 903	(51 854)	2 334 049	719 257	(1 614 792)	Low rate on collection and high rate on spending result to failure by the

municipality to  
accrue huge  
amount as  
investments

18 429 899 (51 854) 18 378 045 14 741 408 (3 636 637)

Non-Current Assets

Investment property - - - 10 996 786 10 996 786

Property, plant and equipment 193 788 389 34 971 002 228 759 391 272 970 089 44 210 698 Project not completed previous year only completed this year affected the additions

Intangible assets - - - 23 253 23 253

Heritage assets - - - 147 149 147 149

193 788 389 34 971 002 228 759 391 284 137 277 55 377 886

Total Assets 212 218 288 34 919 148 247 137 436 298 878 685 51 741 249

Liabilities

Current Liabilities

Other financial liabilities 1 541 756 20 148 1 561 904 - (1 561 904)

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Payables from exchange transactions	7 000 000	(3 500 000)	3 500 000	36 372 258	32 872 258	Cash flow challenges is a problem. Cut costing measures will be implemented during 2015/16 to ensure that liability is reduced even though its include the non-cash items
Consumer deposits	-	-	-	231 899	231 899	No many account were opened
Unspent conditional grants and receipts	-	-	-	1 046 138	1 046 138	Grant was received in December 2014 and the project was Launched by Co-gta late in March 2015

high affected		w				the progress
Provisions	9 684 530	-	9 684 530	-	(9 684 530)	on site
Other liability 1	-	-	-	62 698	62 698	Cash flow challenge to settle the loan
Other liability 3	-	-	-	2 231 313	2 231 313	
	18 226 286	(3 479 852)	14 746 434	39 944 306	<u>25 197 872</u>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	4 226 144	4 226 144	The budget has will be done for a three year circle.
Employee benefit obligation	-	-	-	7 585 000	7 585 000	The budgeting of non-cash items has been a challenge which will be addressed by management
Provisions	-	-	-	1 426 244	1 426 244	The budgeting of non-cash items has been a challenge which will be addressed by management

# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016


## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
		-	-	-	13 237 388	<u>13 237 388</u>
Total Liabilities	18 226 286	(3 479 852)	14 746 434	53 181 694	<u>38 435 260</u>	
Net Assets	<u>193 992 002</u>	<u>38 399 000</u>	<u>232 391 002</u>	<u>245 696 991</u>	<u>13 305 989</u>	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	100 348	-	100 348	100 348	-	
Accumulated surplus	193 891 654	38 399 000	232 290 654	245 491 229	13 200 575	Movements which include the addition of the KZN Cogta Grant
Total Net Assets	193 992 002	38 399 000	232 391 002	245 591 577	<u>13 200 575</u>	

The accounting policies on pages 15 to 39 and the notes on pages 40 to 76 form an integral part of the financial statements.

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# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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## Accounting Policies

### 1. Presentation of Financial Statements

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

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP), as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 5116 dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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### 1.3 Comparative figures

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

Where accounting errors or a change in accounting policy have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

#### Trade receivables / Held to maturity investments and/or loans and receivables

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

#### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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# eDumbe Local Municipality

(Registration number KZN 261)

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available.

#### Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

#### Post retirement benefits

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

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

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## 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if major spare parts and servicing equipment can be used only in connection with a item of property, plant and equipment they are accounted for as property, plant and equipment.

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

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inspection costs from the previous inspection are derecognised.

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

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

Incomplete construction work is stated on historical cost. Depreciation only commences when the assets is available for use.

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

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

The annual depreciation rates are based on the following estimated asset lives have been assessed as follows:

Item	Depreciation method	Average useful life
<b>Infrastructure</b>		
• Road structures - Kerbing		50
• Road structures - Road Base		50
• Road structures - Road Surfaces		20
• Bridges		80
• Pedestrian Malls		20 - 30
• Electricity		30-50
• Storm Water		60
<b>Community</b>		
• Buildings		25
• Recreational Facilities		25 - 30
<b>Other</b>		
• Buildings		25
• Vehicles		7
• Office Equipment		5
• Furniture and Fittings		7
• Other items of Plant and Equipment		3 - 10
• Landfill sites		25 - 55
• Leased Assets		Period of lease

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

### 1.6 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
  - to meet service delivery objectives, or
  - sale in the ordinary course of operations.
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At initial recognition, the municipality measures the investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property at no cost or for a nominal value), its cost is its fair value as at the date of acquisition.

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market condition at the reporting date. A gain or loss arising from a change in fair value is included in the net surplus/ deficit for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

## 1.7 Intangible assets

An asset is identifiable if it either:

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

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

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.7 Intangible assets (continued)

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.

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

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

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

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

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

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

## 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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## Accounting Policies

### 1.8 Heritage assets (continued)

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge on obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.9 Financial instruments (continued)

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

The entity first assesses whether the substance or concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each components separately. The entity accounts for that part of a concessionary loan that is:

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- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
  - non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.10 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.10 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 income.

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

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the

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inventories to their present location and condition. In general, the basis of allocating costs to inventory items is the weighted average method.

#### Subsequent measurement

Inventories, consisting of consumable stores and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless the cost qualifies for capitalisation to the cost of another asset.

#### 1.12 Impairment of cash-generating assets

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

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

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

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

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.12 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

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

#### Identification

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

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The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

#### 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.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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Financial Statements for the year ended 30 June 2016

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## Accounting Policies

### 1.12 Impairment of cash-generating assets (continued)

#### Recognition and measurement

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 of assets is carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: .

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

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

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that

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could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### 1.13 Impairment of non-cash-generating assets

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

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## Accounting Policies

### 1.13 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

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

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

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

Useful life is either:

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

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## Accounting Policies

### 1.13 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 of assets carried at cost less any accumulated depreciation or amortisation 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.

### 1.14 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

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- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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.

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## Accounting Policies

### 1.14 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.



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The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### 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. The municipality 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.

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.14 Employee benefits (continued)

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

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in

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the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.14 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
  - the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.
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Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Accounting Policies

### 1.14 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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



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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a

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debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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, an 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.

#### Landfill sites

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate of the various site discounted back to the statement of position at the cost of capital.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.15 Provisions and contingencies (continued)

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

### 1.16 Revenue from exchange transactions

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

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

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

Interest is recognised on a time proportion basis. The interest on arrears account are currently not charged but the situation will be reviewed in future.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

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Revenue from the sales of goods is recognised when the risk is passed to the consumer.

#### Measurement

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

#### Rendering of services

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

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

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

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

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

#### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.17 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others. The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

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

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

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.17 Revenue from non-exchange transactions (continued)

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged.

The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.18 Investment Income

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

### 1.19 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.20 Unauthorised expenditure

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Unauthorised expenditure means:

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

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

#### 1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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.

#### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.



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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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.

### 1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the

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municipal area subject to the approval of the Provincial MEC responsible for housing.

#### 1.24 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

##### Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

##### Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

##### Interest - Rate Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.24 Risk management of financial assets and liabilities (continued)

Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

#### Market Risk

Owing to legislative restrictions the municipality has no exposure to market risk.

### 1.25 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

### 1.26 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.

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Close members of the family of a person are considered to be those family members who may be expected to influence, or be

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influenced by, that management in their dealings with the municipality.

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

#### 1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

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

The 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.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Accounting Policies

### 1.28 Value Added Tax

The municipality accounts for Value Added Tax on the accrual basis in the Annual Financial Statements. However VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to the supplier or payments are received for goods or services. The net difference of VAT payable/ receivable on output VAT on Debtors( where money has not been received) and input VAT on Creditors(accruals where payment has not been made) is disclosed in the Statement of Financial Position.

### 1.29 Share capital / contributed capital

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations: — —

Standard/ Interpretation:

- GRAP 18: Segment Reporting
- GRAP 105: Transfers of functions between entities under common control
- GRAP 106: Transfers of functions between entities not under common control — —
- GRAP 107: Mergers
- DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP — —

### 3. Inventories

Consumable stores — —  
— —  
135 897 287 982

Inventories consist of goods which are held for own use include stationery (photocopying papers), cleaning material and electricity material. — —

The valuation roll include housing stock (RDP houses) for an amount of R3 049 000 which are still to be transferred to the community.

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4. Receivables from Exchange Transactions - Consumer debtors

Gross balances		
Electricity	6 383 335	8 163 106
Refuse	65 280 205	<u>58 873 325</u>
	71 663 540	<u>67 036 431</u>
Less: Allowance for impairment		
Electricity	(4 809 193)	(6 234 381)
Refuse	(63 467 304)	(57 290 265)
	(68 276 497)	(63 524 646)
Net balance		
Electricity	1 574 142	1 928 725
Refuse	1 812 901	<u>1 583 060</u>
	3 387 043	<u>3 511 785</u>
Electricity		
Current (0 -30 days)	797 487	830 376
31 - 60 days	237 025	552 933
61 - 90 days	203 063	545 416
121 - 365 days	112 087	<u>-</u>
	1 349 662	<u>1 928 725</u>

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand

2016

2015

4. Receivables from Exchange Transactions - Consumer debtors (continued)

Refuse

Current (0 -30 days)

499 605

495 077

31 - 60 days

459 748

481 036

61 - 90 days

473 043

469 880

121 - 365 days

357 349

-

1 789 745

1 445 993

Summary of debtors by customer classification (Exchange transactions)

Consumers

Current (0 -30 days)

798 885

866 793

31 - 60 days

384 855

728 277

61 - 90 days

458 733

935 870

91 - 120 days

408 090

1 115 593

121 - 365 days

2 450 249

-

> 365 days

60 907 391

63 844 271

65 408 203

67 490 804

Less: Allowance for impairment

(63 713 531)

(65 692 583)

1 694 672

1 798 221

Industrial/ commercial

Current (0 -30 days)

389 128

558 062

31 - 60 days

209 032

235 711

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61 - 90 days	202 832	393 349
91 - 120 days	184 216	1 460 594
121 - 365 days	1 307 249	-
> 365 days	3 019 302	<u>2 925 727</u>
	5 311 759	5 573 443
Less: Allowance for impairment	(4 562 967)	(4 496 411)
	748 792	<u>1 077 032</u>
National and provincial government		
Current (0 -30 days)	109 079	95 125
31 - 60 days	102 887	87 819
61 - 90 days	14 541	82 409
91 - 120 days	21 747	104 747
121 - 365 days	447 689	<u>129 365</u>
	695 943	<u>499 465</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	63 524 646	56 910 680
Contributions to allowance	4 751 851	<u>6 613 966</u>
	68 276 497	<u>63 524 646</u>

#### Consumer debtors past due but not impaired

Based on the past experience including the current collection rate, the municipality has taken a decision to impair 100% its debts which are 90 days overdue for all categories except on property rates where government properties were separately treated. The municipality has experienced the non-payment by consumers which has contributed to the cash flow challenges. At 30 June 2016, 3 139 408 (2015: 3 374 717) was the total receivables not impaired.

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

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	<u>2016</u>	<u>2015</u>
4. Receivables from Exchange Transactions - Consumer debtors (continued)		
Included in above is receivables from exchange transactions	<u>                    </u>	<u>                    </u>
1 month past due	1 297 092	1 325 452
2 months past due	<u>1 842 316</u>	<u>2 049 265</u>
	3 139 408	<u>3 374 717</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)		
The amount of the provision was R 68 276 497 and (2014 R 63 524 645)	-	-
3 to 4 months	1 326 002	1 722 935
5 months and above	66 950 495	<u>61 801 710</u>
	68 276 497	<u>63 524 645</u>
Debtors with Credit Balances		
Current (0 -30 days)		- <u>137 067</u>

Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered in any way.

Credit quality of consumer debtors

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The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors are billed monthly, at latest by the end of each month.

The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2016.

The Council will at a future date determine the terms and conditions for interest to be charged on overdue accounts and the rate thereof.

The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand	2016	2015
5. Receivables from non-exchange transactions	<u>                    </u>	<u>                    </u>
Government grants and subsidies	<u>1 976 213</u>	<u>3 451 256</u>
Traffic Fines	1 446 038	517 623
Consumer debtors - Rates	<u>6 571 516</u>	<u>2 998 358</u>
	9 993 767	<u>6 967 237</u>
Gross balances	<u>                    </u>	<u>                    </u>
Consumer debtors - Rates	<u>20 022 837</u>	<u>13 085 712</u>
Less: Allowance for impairment		
Consumer debtors - Rates	(13 451 321)	(10 087 354)
Net Balances	<u>                    </u>	<u>                    </u>
Consumer debtors - Rates	<u>6 571 516</u>	<u>2 998 358</u>
Property Rates		
Current (0- 30 days)	531 625	541 678
31 - 60 days	<u>585 592</u>	<u>465 189</u>
61-90 days	508 625	397 056
91-120 days	<u>284 190</u>	<u>-</u>
121-365 days	4 661 484	<u>1 594 435</u>
	6 571 516	<u>2 998 358</u>
	<u>                    </u>	<u>                    </u>

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Summary of debtors by customer classification (Non-Exchanged Transactions)

Consumers

Current (0 - 30 days)	253 102	270 839
31 - 60 days	254 009	232 594
61 - 90 days	217 648	198 528
91 - 120 days	2 107 683	100 703
121 - 365 days	664 349	183 188
> 365 days	6 643 893	<u>6 120 937</u>
Less: Allowance for impairment	(9 415 925)	(6 451 960)
Terms and conditions		
	724 759	<u>654 829</u>

Industrial/ Commercial

Current (0 - 30 days)	274 194	189 587
31 - 60 days	275 176	162 816
61 - 90 days	235 786	138 970
91 - 120 days	903 293	70 492
121 - 365 days	284 721	128 232
> 365 days	2 847 383	<u>3 331 850</u>
Less: Allowance for impairment	(4 035 396)	(3 585 394)
	785 157	<u>436 553</u>

National and Provincial Government

Current (0-30 days)	4 328	81 252
31 - 60 days	56 407	69 778
61 - 90 days	55 190	59 558
91 - 120 days	2 502 804	30 211
121 - 365 days	2 049 443	54 957
> 365 days	109 237	<u>16 785</u>

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand

2016 2015

5. Receivables from non-exchange transactions (continued)

4 777 409 312 541

Reconciliation of provision for impairment of receivables from non-exchange transactions

Balance at the beginning of the year

10 087 354 10 990 797

Contribution to allowance

3 363 967 (903 443)

13 451 321 10 087 354

Receivables from non-exchange transactions past due but not impaired

Based on the past experience the municipality has taken a decision to impair 100% of its debts which are 90 days overdue however Property Rates has been treated with an exceptional case due to Public Works engagement and the provision has been done on 90 days for other categories but state owned properties overdue amount were not at all provided for. The municipality has experience the non-payment by consumers which has contributed to the cash flow problem. At 30 June 2016, 6 287 326 (2015: 1 403 923) was the total receivables not impaired.

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

1 month past due

531 625 541 678

2 months past due

585 592 862 245

3 months past due

5 170 109 -

6 287 326 1 403 923

Government Grants and Subsidies

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The amount spent during 2015/16 financial year, the municipality overspent on some of the grants due to numerous reasons. The Electricifation grant was allowed to overspent since the municipality was spending on the project which will be budgeted in 2016/17 financial year and Municipal Infrastructure Grant was 100% spent during the financial year however after the Retetions withheld were recognised the grant was then overspent. The amount on Retention will be funded by the 2016/17 Financial Year allocation.

Receivables from non-exchange past due impaired

The amount of the provision was 13 451 321 as of 30 June 2016 (2015: 10 087 354).

3 to 6 months	3 010 975	201 405
Over 6 months	10 440 346	<u>9 885 949</u>
	13 451 321	<u>10 087 354</u>

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

	2016	2015
6. Cash and cash equivalents	<u>          </u>	<u>          </u>
Cash and cash equivalents consist of:		
Cash on hand	319	328
Bank balances	111 880	73 636
Short-term deposits	607 058	1 022 322
Other cash and cash equivalents	<u>          </u>	<u>19 480</u>
	<u>719 257</u>	<u>1 115 766</u>
Current assets	719 257	1 115 766

The following are the Bank balances at 30 June 2016

	Balances as per Bank Statement	Balance as per Bank Account - Cashbook	Variance
FNB Call Account -61328003233	<u>540 644</u>	<u>540 644</u>	-
FNB - Call Account 62033660376	-	-	-
FNB - Call Account - 622198848746	<u>52 632</u>	<u>52 632</u>	-
Grindrod Bank Investment Account	<u>13 782</u>	<u>13 782</u>	-
Petty Cash	319	319	-
FNB - Primary Account	111 880	111 880	-
FNB - Call Account 62421843807	-	-	-
	<u>719 257</u>	<u>719 257</u>	-

The following are the Bank balances at 30 June 2015

	Balances as per Bank Statement	Balance as per Bank Account - Cashbook	Variance
FNB Call Account -61328003233	<u>551 329</u>	<u>551 329</u>	-



FNB - Call Account 62033660376	3 372	3 372	-
FNB - Call Account - 622198848746	1 972	1 972	-
Grindrod Bank Investment Account	405 987	405 987	-
Petty Cash	328	328	-
FNB - Primary Account	73 636	93 116	(19 480)
FNB - Call Account 62421843807	59 656	59 656	-
Investec Bank Investment Account	9 157	9 157	-
	1 105 437	1 124 917	(19 480)

7. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	29 048 000	-	29 048 000	29 048 000	-	29 048 000
Buildings	94 180 571	(20 678 552)	73 502 019	89 378 476	(17 405 583)	71 972 893
Infrastructure	103 484 001	(20 772 031)	82 711 970	96 675 472	(17 044 685)	79 630 787
Electricity Infrastructure	22 778 084	(2 990 895)	19 787 189	21 597 924	(2 365 863)	19 232 061
Other property, plant and equipment	15 273 680	(5 471 537)	9 802 143	14 977 312	(4 941 397)	10 035 915
Other leased Assets # 2	8 892 010	(2 641 065)	6 250 945	841 920	(266 194)	575 726
Specialised vehicles	2 590 995	(733 881)	1 857 114	2 274 551	(541 732)	1 732 819
Assets under construction	50 010 709	-	50 010 709	31 047 129	-	<u>31 047 129</u>
Total	326 258 050	(53 287 961)	272 970 089	285 840 784	(42 565 454)	243 275 330

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# eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	29 048 000	-	-	-	-	-	29 048 000
Buildings	71 972 893	4 802 095	-	-	(3 272 969)	-	73 502 019
Infrastructure	79 630 787	6 808 529	-	-	(3 727 346)	-	82 711 970
Electricity Infrastructure	19 232 061	1 180 160	-	-	(625 032)	-	19 787 189
Other Property plant and equipment	10 035 915	689 901	(163 810)	-	(702 136)	(57 727)	9 802 143
Other leased Assets # 2	575 726	8 050 090	-	-	(2 374 871)	-	6 250 945
Specialised vehicles	1 732 819	348 860	(14 496)	-	(210 069)	-	1 857 114
Assets under construction	31 047 129	31 754 364	-	(12 790 784)	-	-	50 010 709
	243 275 330	53 633 999	(178 306)	(12 790 784)	(10 912 423)	(57 727)	272 970 089

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Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	29 048 000	-	-	-	-	29 048 000
Buildings	70 204 343	4 673 184	-	-	(2 904 634)	71 972 893
Infrastructure	76 734 973	6 152 641	(5 297)	-	(3 251 530)	79 630 787
Electricity Infrastructure	12 063 434	7 695 117	(33 102)	-	(493 388)	19 232 061
Other property, plant and equipment	10 566 022	178 528	3 844	-	(712 479)	10 035 915
Other leased Assets # 2	-	841 920	-	-	(266 194)	575 726
Specialised vehicles	812 533	1 076 719	-	-	(156 433)	1 732 819
Assets under construction	14 541 476	35 026 596	-	(18 520 943)	-	<u>31 047 129</u>
	213 970 781	55 644 705	(34 555)	(18 520 943)	(7 784 658)	243 275 330

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.

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 8. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Municipal Mayoral Chain	147 149	-	147 149	<del>147 149</del>	-	147 149

#### Reconciliation of heritage assets 2016

				Opening balance	Total
Municipal Mayoral Chain				147 149	147 149

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Municipal Mayoral Chain	147 149	147 149

Pledged as security

All municipality heritage assets are not pledged as security:

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.

### 9. Intangible assets

	Cost / Valuation	2016		2015		
		Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	111 092	(87 839)	23 253	111 092	(75 524)	35 568

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	35 568	(12 315)	23 253

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	47 883	(12 315)	35 568

All of the municipality's intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 10. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 996 786	-	10 996 786	10 996 786	-	10 996 786

#### Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	10 996 786	10 996 786

#### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	10 996 786	10 996 786

#### Fair Value Adjustment

All of the municipality's Investment Properties are held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality. There were no changes on the figures disclosed in 2015 and 2016 due to the valuator's opinion which stated that there were no changes or little changes from 2015 to 2016 based on the economic forecast.

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made by three major Banks in South Africa, ABSA, FNB and Nedbank.

The valuation for Investment property was done by EMS Consulting who was subcontracted by Ducharme Consulting. A register of Investment property is available at the municipal office.

#### 11. Current portion of Long term Liabilities

##### Current Liabilities

At amortised cost - DBSA Loan	-	1 562 018
Miscellaneous	57 116	503 281
Travel Card	5 583	<u>22 378</u>
	62 699	<u>2 087 677</u>

The municipality have settled the DBSA Loan during the financial year (2015/16) therefore the municipality does not have any existing loan.

#### 12. Payables from exchange transactions

Trade payables	241	3 236
Payments received in advanced - contract in process	(93 498)	(77 355)
Income received in Advance	531 825	1 731 503
Accruals	31 487 767	17 162 946
Other payables	1 283	1 235
Retention	1 238 454	630 154
Leave Provision/Accruals	2 148 063	1 646 703
Bonus Provision/ Accrual	1 058 123	<u>835 283</u>
	36 372 258	<u>21 933 705</u>

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand 2016                      2015

### 12. Payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the Municipal Finance Management Act. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. \_\_\_\_\_

Payments received in advance is due to payments received for hall hire and prepaid electricity. \_\_\_\_\_

Payments received in advance are consumer debtors' accounts paid in advance. \_\_\_\_\_

Staff leave and bonuses accrued to the staff of the municipality on an annual basis, subject to certain conditions.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

### 13. VAT receivable and VAT Payable

VAT 505 444      335 945

#### Statement of Financial Position

VAT Receivable \_\_\_\_\_ 505 444 \_\_\_\_\_ -

VAT Payable \_\_\_\_\_ - 335 945

505 444      335 945

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### 14. Consumer deposits



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Electricity

231 899 \_\_\_\_\_ 229 505

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer deposits approximate their fair values.

The fair value of Consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Extended Public Works Programme Grant	422 535	361 116
Art and Culture Grant	530 120	657 435
Cogta Grant	18 361	1 601 730
Sportsfield Maintenance Grant	75 122	<u>149 271</u>
	1 046 138	<u>2 769 552</u>

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand	2016	2015
	<u>          </u>	<u>          </u>
15. Unspent conditional grants and receipts (continued)	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
Movement during the year	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
Balance at the beginning of the year	2 769 552	5 769 445
Additions during the year	94 481 000	90 087 000
Income recognition during the year	(96 204 414)	(93 086 893)
	1 046 138	<u>2 769 552</u>
Non-current liabilities	-	-
Current liabilities	1 046 138	<u>2 769 552</u>
	1 046 138	<u>2 769 552</u>

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

See note 20 for reconciliation of grants from National/Provincial Government.

# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 16. Provisions

—	—	—
—	—	—

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	1 357 810	68 434	1 426 244
Legal proceedings	2 591 948	(2 591 948)	-
	3 949 758	(2 520 514)	1 426 244

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	1 292 660	65 150	1 357 810
Legal proceedings	-	2 591 948	2 591 948
	1 292 660	2 657 098	3 949 758

Non-current liabilities	1 426 244	1 357 810
Current liabilities	-	2 591 948
	1 426 244	3 949 758

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

At 30 June 2016 the municipality will incur estimated rehabilitation costs of R 1 426 244 (2015: R 1 357 810) to restore the new landfill site at the end of its useful life, estimated to be 30 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption.

The landfill provision represents management's best estimate of the Municipality's liability.

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The municipality is currently having two land fill site, the old land fill site is situated near Esikhaleni Area while the new land fill site by the Coal Siding. The municipality is currently not utilizing the old site as Landfill Site since January 2014 and the current status of the old land fill sites shows that there is no traces of a Landfill Site , and therefore the old land fill site do not acquire any provision for closure. The land fill site for both site was conducted by Ducharme Consulting.

The new land fill site is expected to be fully operational until 30 June 2045 and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount for new land fill site was done in 2015/2016 financial year and the report has been issued to the municipality by Ducharme Consulting. The report was concluded and signed on 27 July 2016.

#### Provision for Law Suits

The municipality was sued by Cox and Partners for an amount of R2, 5 m for the services rendered, collection of old debts. The case was conducted in August 2015 and the settlement was reached between two parties to settle the amount. The settlement agreement stipulated terms of payment which had two options, payment in two equal instalments or once-off settlement.

- 2 591 849

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand

2016

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### 17. Employee benefit obligations

#### Post retirement benefit plan

The municipality's personnel are members of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds and there are few member who are GEPF due to the fact that they were employed before the local government sphere was introduced. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation prepared by Argen Actuarial Solution as at 31 March 2014.

#### Retirement Fund

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.
- In order to fund the deficit, the surcharge should be increased from 17% to say, 17.5% form 1 July 2014 and the required period be extended from 5 years to 8 years.

#### Provident Fund

— — —  
— — —

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2014 revealed that the fund was in a sound financial position.

#### Post employee medical benefit

---

Financial Variables

5 728 000      4 405 000

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference	Difference
	between	Between
	nominal and	nominal and
	yield curve	real yield curve
Medical Aid Contribution Inflation	CPI + 1%	Equal to CPI +
		1
Net Effective Discount Rate	Yield curve	Yield curve
	based***	based***

Membership data

Current (in -service) members	Male	Female	Total
Number of active employees	23	38	61
Subsidy weighted average	39.80	41.60	41.00
Subsidy weighted average past service	8.00	7.40	7.60
Number of spouses	5	12	<u>17</u>
Average monthly salary payable during the retirement (R)	1 330	1 600	<u>1 500</u>

Continuation members (Pensioners)	Male	Female	Total
Number of continuation members	1	2	3
Subsidy weighted average age	63.0	75.50	69.80
Average monthly subsidy (R)	3720	2 220.00	2 720.00

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

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# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand 2016                      2015

### 17. Employee benefit obligations (continued)

All new pensioners (that are currently still in service) and their dependants will receive a 60% subsidy.

All existing continuation members (pensioners) and their dependants will continue to receive a 100% subsidy.

#### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

#### Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### Spouses and Dependants

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 spouses at retirement and vice versa.     

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A table setting out the assumed rates of withdrawal from service is set out below:

Decrements withdrawal

	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16 %	24 %
Age 25 - 29	12 %	18 %
Age 30 - 34	10 %	15 %
Age 35 - 39	8 %	10 %
Age 40 - 44	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %
Age 60 +	- %	- %

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days as prescribed on the Basic condition of employment. The effective date used for the purposes of the valuation was 30 June 2016.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2015 by ZAQ Consultants and Actuaries.

Membership data

	No. of active employees	Salary weighted average age (Yrs)	Weighted average past service (Yrs)
Male	92	42.38	8.43
Female	61	41.06	<u>8.13</u>
	153	41.83	<u>8.30</u>



# eDumbe Local Municipality

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 17. Employee benefit obligations (continued)

#### Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

Formula used to calculate Total long service benefit award	Total Long Service Benefit Award (% Annual Salary)	Completed Years of Services
(10/250) * Annual Salary	4	10
(20/250) * Annual Salary	8	15
(30/250) * Annual Salary	12 20,25,30,35,40 and 45	

#### Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount Rate CPI (Consumer Price Inflation)	Yield Curve Difference between nominal and real yield curve	Yield Curve Difference Between nominal and nominal and yield curve
Normal Salary Increase Rate	Equal to CPI + 1%	Equal to CPI +
Net Effective Discount Rate	Yield Curve	ased ***

1

Yield Curve

1 857 000      1 378 000

### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

### Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

### Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16 %	24 %
Age 25 - 29	12 %	18 %
Age 30 - 34	10 %	15 %
Age 35 - 39	8 %	10 %
Age 40 - 44	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %

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## Notes to the Financial Statements

Figures in Rand	2016	2015
17. Employee benefit obligations (continued)		
Age 60+	—	—
	—	- %

The amount recognised in the Statement of Financial Performance for both Medical Aid and Long service Awards were as follows:

Current Finance Costs	500 000	445 000
Interest costs	595 000	408 000
Benefit Paid (Actual)	(95 238)	(51 183)
Actuarial (Gain)/ Loss	802 238	403 183
	1 802 000	1 205 000
	—	—

Current Finance Costs

The last valuation carried out on the Superannuation Fund as at 31 March 2014 reflected:

- The memorandum account in respect of pensioners was 96% funded
  - There was a deficit in respect of active members which is being met by the surcharge of 9.5% of pensionable salaries, this surcharge is payable for 8 years with effect from 1 July 2012.
  - The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.
  - The statutory actuarial valuation carried out on the Superannuation Fund as at 31 March 2014 reflected:
  - The memorandum account in respect of pensioners was fully funded.
  - There was a deficit in respect of active members and it is recommended that the surcharge of 7% be increased to 9.5% of pensionable salaries and that the repayment period be set at 8 years at which time the deficit is expected to be fully funded. The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.
-

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18. Housing Operating Account

Unappropriate surplus 100 348 100 348

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sales of houses.

Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The balance of the funding is included in the Municipality's main and call bank account.

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## Notes to the Financial Statements

Figures in Rand	2016	2015
19. Property rates		
Rates received	<u>                    </u>	<u>                    </u>
Residential	3 373 800	2 389 130
Commercial	2 322 077	2 329 573
State	7 959 610	2 515 066
State owned Land	-	-
Agricultural	1 654 676	1 005 644
Vacant Land	605 988	830 887
Less: Income forgone	<u>(1 860 249)</u>	<u>(1 670 236)</u>
	<u>14 055 902</u>	<u>7 400 064</u>

Assessment rates are levied on the value of land and improvements. Valuations on land and buildings are performed every four years. The last valuation was done in 2012/2013 with effective date of the new General Valuation Roll being 01 July 2013. The municipality performed a supplementary valuation roll in 2015/16 which was implemented for Public Works properties which resulted to the high increase on the anticipated revenue on Property rates.

### Valuations

Residential	439 650 000	439 650 000
Commercial	143 490 000	143 490 000
State	204 891 000	137 166 000
State owned Land	120 000	120 000
Agricultural	492 575 000	478 575 000
Municipal Properties	25 545 000	25 545 000
Churches (Place of Worship)	15 375 000	15 375 000

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Vacant Land

41 250 000 41 250 000

1 362 896 000 1 281 171 000

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis with the final date for payment being the 15th day of the following month.

Interest at 18 % per annum on all arrear assessment rates and a collection fee of 10 % on the assessment rate instalments, which are two or more months in arrears.

The new general valuation was implemented on 01 July 2013.

Rebates granted to:

Business

15 % 15 %

Vacant land

10 % - %

Churches, Municipal Properties, Communal land and NPO Properties

100 % 100 %

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## Notes to the Financial Statements

Figures in Rand	2016	2015
20. Government grants and subsidies	<u>          </u>	<u>          </u>
Operating grants		
Equitable share	<u>54 074 000</u>	<u>49 450 000</u>
Finance Management Grant	<u>1 885 547</u>	<u>1 821 829</u>
Subsidy Arts and Culture	<u>1 179 315</u>	<u>592 076</u>
Municipal Systems Improvement Grant	603 681	798 556
Sports Development Subsidy	74 149	150 729
Extended Public Works Program Grant	993 581	<u>710 464</u>
	<u>58 810 273</u>	<u>53 523 654</u>
Capital grants		
Intergrated National Electrification Program	15 503 805	12 579 129
KZN Cogta Funding	1 583 369	5 398 270
Municipal Infrastructure Grant	<u>18 831 924</u>	<u>20 759 786</u>
	<u>35 919 098</u>	<u>38 737 185</u>
	94 729 371	<u>92 260 839</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations.		
Current-year receipts	54 074 000	49 450 000
Conditions met - transferred to revenue	<u>(54 074 000)</u>	<u>(49 450 000)</u>
	-	-

---

Conditions still to be met - remain liabilities (see note 15).

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	(209 319)	5 081 734
Current-year receipts	17 570 000	18 541 000
Conditions met - transferred to revenue	(18 831 924)	(20 459 096)
Other	-	<u>(3 372 957)</u>
	(1 471 243)	(209 319)

Conditions still to be met - remain liabilities (see note 15).

In 2013/14 Financial Year, the municipality did not spend the transferred allocation for Municipal Infrastructure Grant and the municipality submitted the rollover application to National Treasury, the application was for R5, 081 million. Based on the assessment of the rollover application, National Treasury only approved portion of the rollover and the amount of R3, 3 million was withheld during 2014/15 Financial Year. The allocation for 2014/15 Financial Year received by the Municipality was 100% spent. The overspending on the Municipal Infrastructure Grant relates to the amount for Retention and the amount for Consultants incurred for previous year's projects which was funded by Municipal Infrastructure Grant that was withheld by National Treasury. The project not completed during 2014/15 Financial Year has been disclosed on capital commitments.

The municipality spent 100% of the MIG allocation for 2015/16 financial year and the over-spending on the grant relates to the retentions withheld for the projects.

#### Municipal Systems Improvement Grant

Balance unspent at beginning of year	(348 058)	(483 502)
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(603 681)	(798 556)



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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 20. Government grants and subsidies (continued)

	(21 739)	(348 058)
--	----------	-----------

Conditions still to be met - remain liabilities (see note 15).

The municipality has overspent on the Municipal System Improvement grant.

### Finance Management Grant

Balance unspent at beginning of year

	(314 749)	(292 920)
--	-----------	-----------

Current-year receipts

	1 800 000	1 800 000
--	-----------	-----------

Conditions met - transferred to revenue

	(1 885 547)	(1 821 829)
--	-------------	-------------

	(400 296)	(314 749)
--	-----------	-----------

Conditions still to be met - remain liabilities (see note 15).

The municipality has overspent on the Municipal Finance Management grant due to the implementation of the Pastel Evolution Financial System.

### Extended Public Works Programme Grant

Balance unspent at beginning of year

	361 116	(9 420)
--	---------	---------

Current-year receipts

	1 055 000	1 081 000
--	-----------	-----------

Conditions met - transferred to revenue

	(993 581)	(710 464)
--	-----------	-----------

	422 535	361 116
--	---------	---------

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Conditions still to be met - remain liabilities (see note 15).

The allocation for 2015/16 was received however the municipality couldn't spend 100% due to the delays on the appointment of EPWP workers.

#### Arts and Culture Grant

Balance unspent at beginning of year	657 435	268 511
Current-year receipts	1 052 000	981 000
Conditions met - transferred to revenue	(1 179 315)	(592 076)
	530 120	<u>657 435</u>

Conditions still to be met - remain liabilities (see note 15) Arts and Culture grant is used by libraries for the operations. The library services failed to implement their plans 100% which lead to the unspent grant. This was caused by the resignation of the Librarian and the municipality also awarded a bid to the supplier for the supply of Computers for library services and the service provider failed to deliver the correct goods which led to the cancellation of the appointment and it was late to engage the other service provider. The rollover application will be submitted for the unspent balance to be used as per the initial business plan submitted to the province.

#### Integrated National Electrification

Balance unspent at beginning of year	(2 579 129)	1 205 043
Current-year receipts	18 000 000	10 000 000
Conditions met - transferred to revenue	(15 503 805)	(12 579 129)
Other	-	<u>(1 205 043)</u>
	(82 934)	(2 579 129)

Conditions still to be met - remain liabilities (see note 15).

The grant was 100% spent during the 2015/16 Financial Year.

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016                      2015

—                              —  
—                              —

### 20. Government grants and subsidies (continued)

#### SPORTS DEVELOPMENT GRANT

Balance unspent at beginning of year	149 271	-
Current-year receipts	-	300 000
Conditions met - transferred to revenue	(74 149)	(150 729)
	75 122	<u>149 271</u>

Conditions still to be met - remain liabilities (see note 15).

—                              —

The conditions were not 100% met in 2015/16 financial year and the rollover with business plan will be submitted to the department.

—                              —  
—                              —

#### KZN COGTA MASSIFICATION GRANT

Balance unspent at beginning of year	1 601 730	-
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	(1 583 369)	(5 398 270)
	18 361	<u>1 601 730</u>

Conditions still to be met - remain liabilities (see note 15).

The electrification of Nkembeni Phase 1 (Mbizeni Area) has been completed (100%). Condition has been met.

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### 21. Provision for Bad Debts Adjustment

Provision for Bad Debts Adjustment	8 115 818	<u>5 710 523</u>
Provision for Bad Debts Adjustment calculation		
Revenue from Exchanged Transactions	73 612 000	67 901 477
Revenue from non-Exchanged Transactions	10 907 110	<u>5 710 523</u>
Balance at the end of the year	84 519 110	<u>73 612 000</u>

This adjustment is due to align the previous years provision for bad debts with the one for current year under review

## 22. Fines

Traffic Fines	3 570 515	3 594 500
Prepaid Meter Fines	17 912	45 474
Lost Books & Fines		
	3 588 441	<u>3 639 974</u>
Paid Fines	579 947	400 436
Fines not Paid	2 990 568	<u>3 194 064</u>
	3 570 515	<u>3 594 500</u>

The Traffic fines not collected as at 30 June 2016 was R3 570 515 as per the schedule of fines issued. Based on the pass experience the fines were impaired and only 16% of the debt amount were recognised as debt.

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Financial Statements for the year ended 30 June 2016

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## Notes to the Financial Statements

Figures in Rand	2016	2015
	<u>          </u>	<u>          </u>
23. Interest received		
Interest revenue		
Other loans	-	-
Interest on Debit Balance	120 165	133 754
Investment Interest	178 115	<u>142 348</u>
	<u>298 280</u>	<u>276 102</u>
Split sources of interest received for current and prior year.		
	<u>          </u>	<u>          </u>
24. Other income		
Burial Fees	23 035	20 189
Tender Monies	75 938	57 276
Mayoral Marathon	-	5 412
Rates Clearance Certificate	<u>8 440</u>	<u>9 600</u>
Sundry Income	75 568	46 268
Insurance Claim received	891 039	212 547
Reconnection Fees	4 526	614
Building and Structures fees	<u>9 348</u>	<u>84 540</u>
Hall Hire	38 086	38 950
School Patrolling Subsidy	<u>(30 921)</u>	<u>14 988</u>
LGSETA Subsidy	76 709	28 231
Fax and Copies	257	-
Connection fees/ Prepaid meter bases	13 375	-
Prepaid Meter Installation	30 351	-
Prepaid Meter Box	<u>52 629</u>	<u>24 342</u>

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

25. Service charges

Service charges - Electricity Meters	8 272 664	8 913 020
Sale of Prepaid electricity	5 945 452	5 254 655
Refuse removal	5 588 571	<u>5 212 445</u>
	19 806 687	<u>19 380 120</u>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to tariffs approved by Council of eDumbe Local Municipality.

26. Audit Fees

External Audit Fees - Auditor-General	1 366 922	<u>990 265</u>
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27. Bulk purchases

Electricity	16 679 087	<u>15 245 219</u>
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Bulk purchases are in respect of electricity bill paid to ESKOM.

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## Notes to the Financial Statements

Figures in Rand

2016 2015

### 28. Contracted services

Internal Audit Unit	954 034	1 250 735
Security Services	2 593 243	1 571 414
	<u>3 547 277</u>	<u>2 822 149</u>

### 29. Employee related costs

Basic	26 056 528	21 315 818
Bonus	2 322 140	1 946 008
Medical aid - company contributions	1 141 789	925 013
UIF	205 266	173 664
Defined contribution plans	4 097 002	3 406 755
Travel, motor car, accommodation, subsistence and other allowances	2 065 089	1 875 052
Overtime payments	244 120	180 246
Long-service awards	26 241	17 105
Housing benefits and allowances	450 417	440 429
Cellphone Allowances	402 939	351 200
	<u>37 011 531</u>	<u>30 631 290</u>

### Remuneration of municipal manager

Annual Remuneration	639 709	587 264
Car Allowance	225 774	203 530
Performance Bonuses	83 178	107 860
Contributions to UIF, Medical and Pension Funds	54 276	53 143

Other	121 755	140 210
Cellphone Allowance	28 800	<u>26 400</u>
	1 153 492	<u>1 118 407</u>

Remuneration of chief finance officer

Annual Remuneration	524 721	251 464
Car Allowance	129 162	49 881
Performance Bonuses	56 508	98 226
Contributions to UIF, Medical and Pension Funds	155 165	73 417
Cellphone Allowance	22 800	28 994
Other	-	179 914
Other	-	<u>72 514</u>
	888 356	<u>754 410</u>

Remuneration of Director of Infrastructure Services

Annual Remuneration	103 719	177 470
Car Allowance	30 000	55 664
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	15 000	24 229
Other	26 687	22 265
Other	25 000	<u>19 817</u>
	200 406	<u>299 445</u>

Director Technical resigned from his position on November 2014 and the municipality appointed Municipal Manager to be an Acting Director Technical and no acting allowance was paid. The post was only filled on 01 April 2016.



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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
29. Employee related costs (continued)	<u>          </u>	<u>          </u>
Remuneration of Directors Corporate Services		
Annual Remuneration	445 272	449 078
Car Allowance	137 183	148 022
Performance Bonuses	<u>66 053</u>	<u>57 617</u>
Contributions to UIF, Medical and Pension Funds	37 075	38 969
Other	54 873	59 209
Other	16 802	23 159
Cellphone Allowance	20 900	<u>20 900</u>
	<u>778 158</u>	<u>796 954</u>
Remuneration of Director Community Services		
Annual Remuneration	449 818	414 544
Car Allowance	169 602	167 753
Performance Bonuses	35 095	39 097
Contributions to UIF, Medical and Pension Funds	<u>9 438</u>	<u>8 973</u>
Other	74 824	74 009
Cellphone Allowance	50 773	<u>48 873</u>
	<u>789 550</u>	<u>753 249</u>
Remuneration of director Planning and development		
Annual Remuneration	200 958	345 948

Car Allowance	50 000	135 388
Performance Bonuses	-	45 956
Contributions to UIF, Medical and Pension Funds	744	7 974
Other	17 971	62 053
Other	41 667	35 942
Other	43 734	<u>86 448</u>
	355 074	<u>719 709</u>

Director Planning resigned from the Municipality on 30 April 2015 and Mr CT Buthelezi was appointed as Acting Director Planning. Thereafter the post was filled on 01 February 2016.

### 30. Finance costs

Finance leases	590 302	-
	-	-
Loan	-	86 417
Late payment of tax	-	-
Other interest paid	2 863 979	<u>979 672</u>
	3 454 281	<u>1 066 089</u>

The total finance cost is calculated using the effective interest rate, on Financial Instruments not held at fair value through surplus or deficit .

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## Notes to the Financial Statements

Figures in Rand	2016	2015
31. General expenses		
Advertising	333 373	257 524
Aid Awareness	155 158	79 730
Cleaning	37 616	41 822
Communications	500 292	285 212
Community development and training	305 958	228 368
Computer expenses	35 747	51 132
Consulting and professional fees	3 710 889	3 200 073
Settlement contingencies	3 160 805	2 591 948
Entertainment	74 130	81 854
Fuel and oil	1 132 992	831 933
IT expenses	175 400	6 184
Indigent Burial	85 890	55 190
Insurance	905 553	666 284
Zoning of Land	1 421 733	1 080 385
Land fill site provision exp	68 434	65 150
Leave	592 344	535 672
Legal Fees	<u>2 532 418</u>	<u>676 749</u>
Local Economic Developments	<u>504 113</u>	<u>196 615</u>
SPLUMA Implementation	76 313	-
Revenue Enhancement Strategy	107 100	-
Operating expenses for Leases	783 422	1 042 178
Other expenses	1 720 156	1 035 544
Strategic Planning	<u>143 218</u>	<u>-</u>
Poverty Alleviation	<u>854 846</u>	<u>256 093</u>
Printing and stationery	246 409	186 843

Promotions	-	4 765
Protective clothing	330 505	318 587
Bank Charges	45 616	48 522
Road Transport Quality System	26 275	32 535
Supplementary Valuation Roll	309 030	-
HR Engineering and Staff Establishment	441 509	-
Social Cohesion	298 414	255 747
Youth and Sport Development	1 707 084	1 293 628
Staff welfare	27 194	65 104
Consumables	118 400	72 846
Subscriptions and membership fees	522 465	1 011 600
Title deed search fees	142 976	144 389
Telephone and fax	450 759	906 987
Tourism development	625 805	246 550
Training	838 921	57 731
Accommodation and Travelling Expenses	1 531 042	1 523 509
Ward Committee Expenses	14 768	103 988
Water	19 833	<u>19 170</u>
	27 114 905	<u>19 558 141</u>

### 32. Operational Grant expenses

Grants paid to ME's		
Municipal Systems Improvement Grant	650 625	720 111
Arts and Culture Subsidy	957 142	642 019
MIG Operating Expenses	944 631	2 050 254
Municipal Finance Management Grant	1 793 246	1 700 340
EPWP Grant	997 154	696 008
Sport Development Subsidy	74 259	<u>179 529</u>
	5 417 057	<u>5 988 261</u>

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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

	2016	2015
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

### 33. Operating lease

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Operating lease as a lessee

Within one year	<u>      </u> 751 696	<u>      </u> 1 945 244
In second to fifth year inclusive	<u>      </u> 382 320	<u>      </u> 339 391
	1 134 016	<u>      </u> 2 284 635

Operating lease payments represent rentals payable by the municipality for the vehicle hire. Leases are normally negotiated for an average term of three years. The lease agreement for vehicles are on the month-to-month with RIS Vehicle Hire for the duration of 2015/16 Financial Year. The municipality entered into a new lease for the photocopiers with Biztec.

Operating Leases - as lessor

Heading

Within one year	1 169 441	1 110 783
In the second to fifth year inclusive	5 451 607	6 208 105
After five years	21 504 165	<u>      </u> 13 841 438
	28 125 213	<u>      </u> 21 160 326

Operating Leases consists of the following:

Certain of the municipality's property is leased to Mondi is held to generate rental income. Rental of property is expected to

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generate rental yields of R 828.08 per hectare (Ha) with an escalation average linked to CPI plus PPI per annum on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years and the lease signed by Mondi was for 20 years. CPI used for calculation is as per trading economic up to 2020 thereafter a 0.1% projection was done.

34. Remuneration of councillors

Hon. Mayor	824 318	853 797
Hon. Deputy Mayor	374 506	276 636
Executive Committee Members	368 068	327 537
Speaker	660 886	601 347
Councillors	2 569 002	2 250 817
Councillors' pension contribution	45 561	31 398
MPAC Chairperson	374 503	<u>310 304</u>
	5 216 844	<u>4 651 836</u>

The Mayor is full time and is provided with an office and secretarial support at the cost of the Council. The Mayor, Deputy Mayor and Speaker has use of a Council owned vehicle for official duties. The Mayor has two full time bodyguard and Deputy Mayor and Speaker have full time drivers each. The speaker of the Council is full time and is also provided with an office and secretarial support.

The municipality have also provided MPAC chairperson with an office.

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## Notes to the Financial Statements

Figures in Rand	2016	2015
35. Cash generated from operations		
Surplus	17 057 415	23 810 550
Adjustments for:		
Depreciation and amortisation	10 982 285	7 796 973
Gain (loss) on sale of assets and liabilities	177 279	(45 919)
Impairment deficit	2 062 153	-
Debt impairment	8 115 818	5 710 523
Movements in retirement benefit assets and liabilities	1 802 000	1 205 000
Movements in provisions	(2 523 514)	2 657 098
Movement in tax receivable and payable	(841 389)	373 215
Changes in working capital:		
Inventories	152 085	124 418
Consumer debtors	(4 627 110)	(7 584 826)
Other receivables from non-exchange transactions	(8 490 625)	(5 099 535)
Payables from exchange transactions	14 438 556	7 816 127
Unspent conditional grants and receipts	(1 723 414)	(2 999 893)
Consumer deposits	2 394	2 042
	<u>36 583 933</u>	<u>33 765 773</u>

### 36. Prior period errors

There are some Property, Plant and Equipment which has been identified which was not previously reported by the institution which includes the Leased Assets which was previously disclosed as operating leases and the other asset which was incorrectly disposed off in 2014/15 financial year (workshop). The correction of error have also affected the Depreciation reported for the year 2014/15 Financial Year. The correction of error has been done and the disclosure has been done retrospectively.

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The municipality stopped utilising the old land fill site and the new site has been brought into use. The new site is situated near coal siding. The Provision for Rehabilitation of Landfill Site has been recalculated by Ducharme Consulting and the figures has been restated from previous year.

The above journals were processed direct to the accumulated surplus to correct the individual accounts

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

Statement of financial position

Property, plant and equipment	-	7 624 802
Cash and Cash Equivalent	-	(9 157)
Provision for land Fill Site	-	(305 492)
Finance Lease Obligation	-	(841 920)
Finance Lease Assets	-	233 035
Accummulated depreciation	-	<u>(464 588)</u>
Net Effect on Accumulated Surplus	-	6 236 680

Statement of Financial Performance

Depreciation expense	-	(115 631)
Loss on Disposal of Assets/ Liabilities	-	2 097 302
Interest Received - Investment	-	(9 156)
Operating lease	-	233 035
Impairment Losses	-	1 531 061
General expenses	-	<u>(14 662)</u>
Net Effect on Net Profit	-	3 721 949



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Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 36. Prior period errors (continued)

—	—
—	—
—	—

### 37. Commitments

The committed expenditure relates to work-in-progress and future projects which will be constructed in various wards and will be financed by Municipal Infrastructure Grant and Intergrated National Electrification Program and internally generated etc.

Commitments in respect of capital expenditure

Commitments - Contracted

180 337	3 123 914
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Commitments - Not Contracted

<u>16 359 950</u>	<u>34 691 500</u>
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16 540 287	<u>37 815 414</u>
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This expenditure will be financed from:

Government Grants

16 540 287	<u>37 815 414</u>
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38. Unauthorised expenditure

Opening Balance	13 873 202	83 114 032
Unauthorised Expenditure - Current Year	22 298 364	13 873 202
Expenditure Authorised by Council/ Provided for in the Budget		- <u>(83 114 032)</u>
	36 171 566	<u>13 873 202</u>

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. The municipality incurred unauthorised expenditure for 2015/16 financial year on Non-Cash items (Depreciation, Bad debts provision, Traffic fines provision, Actuaries, Loss on disposal of assets) and other general expenses. The item to Council will be prepared for Council to consider providing for the expenditure on the budget during Adjustment Budget and also doing virement as they were savings from other votes.

39. Irregular expenditure

Opening balance	42 154 895	8 747 361
Add: Irregular Expenditure - current year	16 914 378	<u>33 407 534</u>
	59 069 273	<u>42 154 895</u>

Analysis of expenditure awaiting condonation per age classification

Current year	16 914 378	33 407 534
Prior years	42 154 895	<u>8 747 361</u>
	59 069 273	<u>42 154 895</u>

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# eDumbe Local Municipality

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### 39. Irregular expenditure (continued)

Details of irregular expenditure – current year

Irregular expenditure incurred for the current year relates to the amounts paid to Security company (Ingonyama Security - R1 542 480). The expenditure was regarded as irregular previous years and the contract signed was for 3 years. The amount was also disclosed in the previous financial years, 2013/2014 and 2014/2015 irrespectively since the appointments was done in contraventions with SCM regulations/ processes.

An amount of R14 261 653 was incurred by the municipality for the Electrification Projects. The appointment was made to BTMN Engineers on a Turn-Key basis however the appointment was not inline with SCM Regulation because the Tender process was not followed they were appointed on risk. The expenditure amounting to R 1 498 436 was irregular due to irregularities identified on appointments made to the services providers which include failure to obtain three quotations, service provider being in the service of the state, failure to implement the local content requirement and other SCM processes.

An amount of R8 747 361 has been written off by Council as irrecoverable in terms of section 32 of the MFMA and awaiting condonation by National Treasury as per section 170 of the MFMA. The other balance of irregular expenditure is still to be investigated by Council committee which will then conclude whether the amount is recoverable or irrecoverable and whether it will be recovered or to be written off as well as determining if there are any criminal or disciplinary steps will be taken.

### 40. Fruitless and wasteful expenditure

Opening balance	1 810 876	1 026 720
SARS Interest and Penalties	1 031 335	784 156
Settlement Interest	1 186 079	-

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Eskom late payments

278 033 \_\_\_\_\_ -

4 306 323 \_\_\_\_\_ 1 810 876

An amount of R 4 306 323 will be referred to Council for investigation then the investigation report will be tabled to Council to approve the amounts to be recovered from responsible people and certified those whom the Council feel is irrecoverable in terms of section 32 of the MFMA the letter will be sent to National Treasury as per section 170 of the MFMA for condonation.

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### 41. Deviation from supply chain management regulations

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

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

TSS Engineering	182 158	192 796
Roga Motors	1 060 416	821 092
Bell Equipment	252 165	181 251
Advertising	<u>456 512</u>	<u>355 586</u>
Accommodation & Other	341 638	771 293
IMFO	5 000	27 209
Anesco Toyota	59 838	-
Mthembu and Sons Landhire	-	3 670 494
Sage VIP Payroll	-	88 811
South African Post Office	<u>15 675</u>	<u>29 674</u>
Bonamanzi Caravan Park	<u>-</u>	<u>59 000</u>
Striving Mind Trading 1292	-	35 000
Eskom	-	37 080
Syco Machinery	<u>-</u>	<u>36 811</u>
Formal Written Quotation Awarded	-	716 110
PMB TV Video Repairs Centre	-	35 000
General Expenses	<u>-</u>	<u>47 194</u>
DNS Security	<u>-</u>	<u>160 740</u>

Sbahle Fire Services	75 383	-
OTSG Solution	86 400	-
Lisulezazi Trading Enterprise	200 000	-
JL Multisales and services	53 883	-
	-	<u>-</u>
Total Deviations for the Year	2 789 068	<u>7 265 141</u>

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 following items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) (a) to (d) as stated above.

Tss Engineering

It was an emergency due to the break down of electrical transformer 182 158 192 796

Roga Motors 1 060 416 821 092

The municipality engaged with the garage to provide the petrol as and when required. Only garage agreed to help the municipality with Petrol.

Bell Equipment 252 165 181 251

The municipality bought Bell Equipment in 2011 and the municipality is currently utilising the services for Bell Equipment for servicing of the equipment.

Advertising	444 795	355 586
DNS Security	-	<u>160 740</u>
	444 795	<u>516 326</u>

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41. Deviation from supply chain management regulations (continued)

The municipality is currently using Isolezwe as the advertising newspaper due to the fact that they advertise everyday and it is frequently used by the community members around eDumbe and other areas. The other expense on advertising was on the advert for posts for section 57 employees which require municipalities to advertise on National newspaper and Sunday Times is therefore used since it is normally used by most municipalities and Government departments. The second transaction was for DNS Security, the municipality followed the process of advertising however only one service provider who submitted the quote there for the Deviation for minor has been approved by the Accounting Officer in terms of SCM Regulation.

Accommodation and Other expenses

341 638 771 293

The municipality could not be able to obtain 3 quotation on the accomodation expenses due to the venues (location) of the meetings attended by the municipal delegates as well as the condition of the hotels. The municipality also couldn't able to obtain three quotation for the advertisement on local nwespapers. The municipality is using Vryheid Herald and Isolezwe for advertising. The other expenses are minor breaches where three quotations were not obtained.

Anesco Toyota

59 838 -

The expenditure was incurred for the service of toyota vehicles which was sent straight to Anesco as we only have one toyota garage in town. The other expenditure was incurred when strip and quote repairs was done on machines which are services at toyota. Lastly the purchase of fuel was also done when Roga Motors was having a problem.

IMFO

5 000 27 209

The IMFO conference is only provided by sole supplier which is IMFO.

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Lisulezazi Trading Enterprise

200 000 \_\_\_\_\_ -

The advert for the newsletter and other communication activities was issued and only two quotations were received by the municipality. Due to the fact the process was fully followed by the municipality but three quotes were not obtained as per Municipal SCM Regulations, the municipality continued with the appointment and implemented Regulation 36 of the Municipal SCM Regulations which allows deviation for minor breach.

Mthembu and Sons Land Hire

- 3 670 494

The contractor was appointed by the municipality after the court settlement. It was impractical for the municipality to follow the process due to the pending case which was involving the two parties.

SAGE VIP Payroll

- 88 811

The company provides the municipality with Payroll system. The expenditure is for short courses, support, annual license for the system and payslip papers.

South African Post Office

15 675 29 674

Sole supplier for postal stamp used by the municipality to post letter to consumers and other letters to other organs of state.

Syco Machinery

- 36 811

Traffic machines which needs calibration, one company does calibration for KZN municipalities.

Striving Mind Trading 1292

- 35 000

Media coverage for the Mayoral Marathon from different newspapers and radio stations organised by the service provider.

Bonamanzi Caravan Park

- 59 000



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41. Deviation from supply chain management regulations (continued)

The payment was for a Cheque issued for the prices of Jockies during Horse ridding event in September 2014.

Eskom

- 37 080

They were the only service provider responded to the quotation.

-

OTSG Solution

86 400 -

The advert for the maintenance of municipal website was issued and only two quotations were received by the municipality.

Due to the fact the process was fully followed by the municipality but three quotes were not obtained as per Municipal SCM

Regulations, the municipality continued with the appointment and implemented Regulation 36 of the Municipal SCM

Regulations which allows deviation for minor breach

General Expenditure

- 47 194

General expenditure was incurred where only 1 quotation was received instead of three. The expenditure include the addition

on Insurance contract for R11 758, Department of Transport payment R19 592, Service for Mayoral Toyota vehicle for R8 603,

Annual Conference for R3000 and Burial assistance for R4 240

-

PMB TV Video Repairs Centre

- 35 000

Due to emergency for burglary in municipal building, the municipality had to enforce the security controls.

Formal written Price quotation was obtained by the municipality however only 1 service provider who responded and the municipality opted to continue with the process and the deviation for minor breach because only 1 quote received instead of three even though the process was correctly followed. The amount was for Total Client Services R138 508, Zandi Power Services R198 381, Isulami Trading R40 000, Zanecebo Trading R41 822, Dr Mlothwa X-Ray R149 400 and Ntshidi and Associates R148 000 in 2014/15 and 2015/16 amount was for Sbahle Fire Services R75 383 and JL Multisales and services R53 883.

Formal written Price Awards	129 266	<u>716 110</u>
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#### 42. Distribution losses

##### Electricity

Number of consumers(Residential and Commercial)	2 236	2 132
Units purchased (kwh)	17 862 555	18 860 540
Units sold (Total)	10 885 067	<u>12 089 620</u>
	6 977 488	6 770 921
Units own use (Municipal Building)	202 353	<u>2 067 635</u>
Units lost in distribution	6 775 135	4 703 285
Percentage lost distribution	38	25.00 %
Total cost (Expense)	9 098 454	<u>8 569 175</u>
Cost of units purchased	0.5	-
	3 422 121	<u>2 116 782</u>

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## Notes to the Financial Statements

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### 43. Related parties

#### Related party balances

Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2015/2016 financial year. The name of the company is Forest Pro.

They were no Councillors in arrears on their accounts as at 30 June 2016.

#### Related Party - Trade Payables

Amount included on general expenses relates to related party for ZDM Shared

Services for planning departments and other departments with the Zululand District Municipality. The other amount included on the General expenses is the amount paid to Zululand District Municipality for water accounts.

review and the spouse of the Director of the company is in the service of the state

employed by eDumbe Local Municipality (Local Government)

Isulami Trading and Projects has traded with the Municipality during the year under review and the spouse of the Director is in the service of the state employed by eDumbe Local Municipality (Local Government)

Details of remuneration of Councillors and key management are disclosed in note 30 and in note 35.

The Municipality has traded with Total Client Services for the contravention Management System and the spouse of the Director of the company is in the service of the state being employed by EC Liquor Board

No benefits were paid to spouses and dependents of key management or Councillors.

Sizoshubeka Trading Services CC has traded with the Municipality during the year under review and the relative of the Director is in the service of the state employed by eDumbe Local Municipality (Local Government)

Remuneration of Councillors and Key management

Transactions:

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Mbalana Catering and Suppliers has traded with the Municipality during the year under

26 241	23 714		37 500	-
1 205 634	142 300		92 990	-
-	138 565			

Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2015/2016 financial year . The name of the company is Forest Pro.

35955.63

#### 44. Contingencies

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 -. 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.

# eDumbe Local Municipality

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### 44. Contingencies (continued)

#### Contingent liabilities

##### Claim for damages - AMT Putini

Mr AMT Putini instituted proceedings in the bargaining council challenging his suspension by Council in 2010. The award was for the municipality to pay the claimant an amount of R480 305,46 excluding the legal fees. The council have challenged the award and currently the Council's attorneys are dealing with the matter. Should the council be unsuccessful in defending the claim, there is a possibility that the claim will be settled at R480 305,46 plus an estimated amount of attorneys of the Council of R150 000 and the claimant's attorneys fees estimated at R150 000. Therefore total amount of R780 305,46 may be payable.

by the then Acting Municipal Manager verbally to continue working for the council for

the finalisation of the Annual Financial Statements. M SN Investment is claiming R78

906 for work performed. The legal costs estimated for the case will be R50 000.

##### Guarantee with Eskom

The municipality have a call account which have a portion of guarantee withheld by the bank for the Eskom licence guarantee. The amount for the guarantee is R530 000

Ithlathi Transport CC

The municipality is being sued by Ithlathi Transport CC for the service rendered to the

##### Mthembu and sons

The municipality was sued by Mthembu and Sons and the matter has been resolved and settled. The municipality have paid the amount as per court settlement agreement.

municipality. Ithlathi transport is demanding outstanding payment R1,9 million from the

municipality for services rendered. Ithlathi Transport CC has not issued summons but

##### MSN Investments

The Municipality was being sued by MSN Investment claiming that he was appointed

the matter has been referred to the court. The estimated legal fees are R100 000

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PMPZ Construction

780 305 780 305

The municipality has been threatened by PMPZ Construction to institute legal proceedings for unpaid balance arising from a contract awarded to them. The company was doing construction services for MIG projects and the contract was cancelled by the Municipality. The total amount the municipality will be liable should they continue with the matter and wins it is R457 860. The contingent liability includes legal costs for plaintiff of R100 000 and the legal cost for the municipality of R 50 000.

Swatilelihle

Swatilelihle was appointed by the municipality for the construction of Jourbet Street in PaulPietersburg Town. The company executed the work and was paid for the work done. They are now claiming that they didnot make any profit from the contract due to some instructions on site by the municipality and other site issues and they are suing the municipality for an amount of R3,8 million. Swatilelihle is suing the municipality for an amount of R3 800 448 for disputed unpaid invoices arising from a contract. The contingent liability includes legal costs for plaintiff of R100 000 and the legal cost for the municipality of R150 000.

530 000 530 000

- 3 150 000

Lime Distributors

123 906 123 906

72

2 000 000 2 000 000

607 860 607 860

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4 050 448    4 050 448

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## Notes to the Financial Statements

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### 44. Contingencies (continued)

Lime Distributors is suing the municipality for unpaid invoices for goods delivered in terms of the Cession Agreement with Swatilehle. Lime Distributors is suing the municipality for an amount of R223 258. The contingent liability includes legal costs for plaintiff of R100 000 and the legal cost for the municipality of R100 000.

\_\_\_\_\_ 423 258      \_\_\_\_\_ 423 258

### Natal Richards Bay Hire CC

Natal Richard Bay Hire CC is suing the municipality for R411 279 together with interest for failing to pay monies due to it in terms of the contract. The contingent liability includes legal costs for plaintiff of R200 000 and the legal cost for the municipality of R200 000.

811 279      811 279

### 45. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of 245 596 643 and that the municipality's total current liabilities exceed its current assets by 25 202 898. The reason for the current liabilities to exceed the current assets is the collection rate of the municipality which is not favourable at all. It's makes the municipality fails to pay its debts as they become due which increase the current liabilities and the outstanding debtors end up being impaired.

During the current year the municipality managed to settle the DBSA loan which has been overdue for quite sometime, however the debt collection rate was very low and conditional grants could not be backed up by cash in the bank. The municipality was also stricken by the drought which affect the consumption of electricity hugely and the the anticipated revenue on electricity was affected. The liquidity ratio for the municipality is below one which means the municipality is not able to pay its creditors as they fall due the evidence of that is the increase on the trade payables which an amount of R33 million of payables as at 30 June 2016, however, because at year end, the municipality is in a net asset position, the municipality is deemed to be a going concern. The annual financial statements have been prepared on the basis of ~~the~~ accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of

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business. This is further mitigated by the fact that National Treasury will still be funding municipality activities, with no evidence of intention to withdraw financial support.

The ability of the municipality to continue as a going concern is dependent on a number of factors which include the assets and liability of the municipality. The management has also prepared an assessment of going concern which is an annexure to the Annual Financial Statement of 2015/16 Financial Year.

#### 46. Risk management

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

##### 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.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	2016	2015
Cash and Cash Equivalent	719 257	1 124 921
Trade and other receivables	2 796 095	3 511 784
VAT Receivables	505 444	-
Other	-	-
	-	<u>-</u>
	4 020 796	<u>4 636 705</u>

