
eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

46. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade and other payables	35 840 435	21 933 701
VAT Payable	—	335 945
Maximum liquidity exposure	35 840 435	22 269 646

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	719 257	1 115 766
	-	-
Maximum interest exposure	719 257	<u>1 115 766</u>

47. Budget versus Actual Statement

The comparison of the Municipality's actual financial performance with that budgeted is set out in the face with reason for variances and corrective measures.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 624 376	617 032
Current year subscription / fee	505 578	<u>1 007 344</u>
	2 129 954	<u>1 624 376</u>

The amount is included accruals raised for 2015/2016 financial year for the membership to SALGA for the municipality.

Audit fees

Opening balance	-	45 089
Current year subscription / fee	1 366 922	990 265
Amount paid - current year	(1 353 790)	(990 265)
Amount paid - previous years	-	<u>(45 089)</u>
	13 132	-

The municipality paid the previous year balance as well as the current year invoices in full during the year.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016 2015

— —
— —

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	1 338 448	1 176 693
Current year subscription / fee	<u>6 906 722</u>	<u>6 115 416</u>
Amount paid - current year	<u>(4 502 108)</u>	<u>(4 773 968)</u>
Amount paid - previous years	(1 338 448)	(1 179 693)
	2 404 614	<u>1 338 448</u>

The balance includes PAYE,SDL and UIF deducted from February 2016, April 2016, May 2016 and June 2016 payroll. These amounts were paid during July 2016. The amount of R 2 404 614 was not paid as at 30 June 2016 and it was part of the accrual raised in 2015/2016.

Pension and Medical Aid Deductions

Opening balance	430 726	977 096
Current year subscription / fee	8 339 978	4 188 595
Amount paid - current year	(6 040 513)	(3 745 744)
Amount paid - previous years	(430 726)	(989 221)
	2 299 465	<u>430 726</u>

The unpaid balance represents pension and medical aid contributions deducted from employees as at 30 June 2016 payroll as well as Council's contributions to pension and medical funds.

Councillors' arrear consumer accounts

They were no Councillors in arrears on their accounts as at 30 June 2016:

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

	2016	2015
49. Finance lease obligation		
Finance Lease liability - 2016		
	<u>Future</u>	<u>Present value</u>
	<u>minimum</u>	<u>of future</u>
	<u>lease</u>	<u>minimum</u>
	<u>Payments</u>	<u>lease</u>
		<u>Payments</u>
- within one year	<u>2 791 819</u>	<u>(560 506)</u> <u>2 231 313</u>
- in second to fifth year inclusive	<u>4 919 103</u>	<u>(629 959)</u> <u>4 289 144</u>
Total future minimum lease payments	<u>7 710 922</u>	<u>(1 253 465)</u> <u>6 457 457</u>
Less: Amount due for settlement within 12 months (current portion)	<u>(2 791 819)</u>	<u>560 506</u> <u>(2 231 313)</u>
Non-current future minimum lease payments	<u>4 919 103</u>	<u>(629 959)</u> <u>2 231 313</u>
Finance Lease liability - 2015		
	<u>Future</u>	<u>Present value</u>
	<u>minimum</u>	<u>of future</u>
	<u>lease</u>	<u>minimum</u>
	<u>Payments</u>	<u>lease</u>
		<u>Payments</u>
- within one year	<u>295 580</u>	<u>(62 544)</u> <u>233 036</u>
- in second to fifth year inclusive	<u>438 737</u>	<u>(62 888)</u> <u>375 849</u>
Total future minimum lease payments	<u>734 317</u>	<u>(125 432)</u> <u>608 885</u>
Less: Amount due for settlement within 12 months (current portion)	<u>(295 580)</u>	<u>62 544</u> <u>(233 036)</u>
Non-current future minimum lease payments	<u>438 737</u>	<u>62 888</u> <u>375 849</u>
Financial Position disclosure		
Current liabilities	2 231 313	233 036
Non Current liabilities	4 226 144	<u>375 849</u>
	6 457 457	<u>608 885</u>

'It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term is 3 years
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The municipality
'is currently leasing the vehicles with Afrirent and the Photocopiers with Biztec.
Interest rates range from 9.25% to 10.50%.

50. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	105 412	526
Rental of equipment	129 457	200 562
Rental income - Plantation	1 110 783	<u>1 221 610</u>
	1 345 652	<u>1 422 698</u>

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

See the attached Final Financial Statement 2015/2016

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENT

See the attached Final Financial Statement 2015/2016

COMPONENT D: OTHER FINANCIAL MATTERS

See the attached Final Financial Statement 2015/2016

CHAPTER 6

AUDITOR-GENERAL

AUDIT FINDINGS

6.1.AUDITOR-GENERAL' AUDIT FINDINGS

The municipality received an unqualified Audit Opinion for the financial year 2014/2015 with matters of emphasis. An Action Plan was developed on matters raised by Auditor-General and was monitored during 2015/2016 financial year.

EDumbe Municipality has again received an unqualified Audit Opinion with matters of emphasis. An Action Plan has been subsequently developed and it will be monitored throughout 2016/2017 financial year.



Auditor-General of South Africa

eDumbe Municipality
Audit report 2015-16

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on eDumbe Municipality

Report on the financial statements

Introduction

1. I audited the financial statements of the eDumbe municipality set out on pages ... to which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are

free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the eDumbe Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

8. As disclosed in note 44 to the financial statements, the municipality is the defendant in nine lawsuits. The ultimate outcome of these matters was not determinable at year-end and no provision for any liability that may result was made in the financial statements.

Material losses and impairment provision

9. As disclosed in note 42 to the financial statements, material electricity distribution losses amounting to R9,1 million (2015: R8,56 million), and kilowatts of 6,7 million (2015:4,7 million) were incurred as a result of illegal connections, ageing infrastructure and technical losses.
10. As disclosed in note 4 to the financial statements, the municipality provided for impairment of receivables from exchange transactions amounting to R4.75 million (2015: R6,60 million) due to poor collection practices and history of debtor non-payment.

Going concern

11. As disclosed in note 45 to the financial statements, the municipality's current liabilities exceed its current assets by R22,97 million as at 30 June 2016. Consequently, the municipality is unable to pay its creditors as and when they become due. Conditional grants were not backed by cash and the liquidity ratio was also unfavourable. These conditions, along with other matters stated in the above-mentioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.

Additional matters

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

Unaudited supplementary schedules

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

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

Report on other legal and regulatory requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for the selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

16.1 performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure development priority presented in the annual performance report of the municipality for the year ended 30 June 2016.

17.1 evaluated the reported performance information against the overall criteria of usefulness and reliability.

18.1 evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

19.1 assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. The material findings in respect of the selected development priority are as follows:

Basic service delivery and infrastructure development priority

Usefulness of reported performance information

Measurability of indicators and targets

Performance targets not specific and measurable and indicators not well defined and verifiable

21. A total of 50% of targets were not specific and measurable. The FMPPI requires that

performance targets should be specific in clearly identifying the nature and required level

of performance and measurable.

22. A total of 50% of the indicators were not verifiable. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI.

23. A total of 50% of the indicators were not well-defined due to the lack of proper systems and process for technical indicator descriptions. Performance indicators should be well-defined by having clear definitions so that data can be collected consistently and is easy

to understand and use, as required by the FMPPI.

Reliability of reported performance information

24. For 50% of the indicators, the reported achievements against planned targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for these targets. In addition, the reported achievements against planned targets for 50% of the indicators were not reliable when compared to the evidence provided. The FMPPI requires municipalities to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets.

Additional matters

25.1 draw attention to the following matters:

Achievement of planned targets

26. The annual performance report on pages x to x and x to x which includes information on the achievement of the planned targets for the year should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priority reported in paragraphs 21 to 24 of this report.

Unaudited supplementary schedules

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

Compliance with legislation

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

Strategic planning and performance management

28. Key performance indicators (KPIs) in respect of each of the development priorities were not set out in the integrated development plan, as required by section 41(1)(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and the Municipal planning and performance management regulations (MPPMR) 1 and 9(1)(a)

29. The KPIs set by the municipality did not include indicators on percentage of households with access to basic level of electricity, as required by section 43(2) of the MSA and regulation 10(a) of the MPPMR.
30. Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the MSA and regulations 12(1) and 12(2)(e) of the MPPMR.

Annual financial statements

31. The annual financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of property, plant and equipment, property rates revenue, expenditure and disclosure identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

32. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of 17(a) and (c) of supply chain management (SCM) regulations.
33. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
34. Contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA) and its regulations.
35. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential procurement regulations (PPR) of 2011, issued in

terms of the PPPFA.

36. Thresholds for local content on designated sectors' procurement were not properly applied in accordance with the requirements of regulation 9 of the PPR.

Expenditure management

37. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

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

Revenue management

39. The municipality's credit control and debt collection policy was not implemented effectively, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.

Consequence management

40. Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by sections 32(2)(a) and (b) of the MFMA.

41. Council certified unauthorised, irregular as well as fruitless and wasteful expenditure as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) and 32(2)(b) of the MFMA.

Internal control

- 42.1 considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

43. Leadership did not adequately oversee that effective measures were taken to address repeat findings on financial and performance reporting as well as compliance with legislation.

Financial and performance management

44. Senior management did not implement proper records management over the maintenance of documents supporting financial and performance reports. Staff members did not fully understand the requirements of the financial and performance reporting frameworks, which contributed to the material findings on predetermined objectives and compliance with legislation and material adjustments that were required to the financial statements. Management was also slow to respond in addressing the recommendations of the audit committee and internal audit unit.

Other report

45.1 draw attention to the following engagement that could potentially have an impact on the municipality's financial, performance and compliance matters. My opinion is not modified in respect of this engagement.

Investigation

46. The department of Cooperative Governance and Traditional Affairs is performing an investigation at the municipality covering the 2015-16 financial year. The Investigation is based on allegations of maladministration, as well as fraud and corruption, and is still in progress at year-end.

Pietermaritzburg

30 November 2016

y >

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

Auditing to build public confidence

Action Plan for Issues raised in 2015/2016 Financial year

Annexure
A

Paragraph No.	Findings	Actions Required	Responsible official	Department Concern	Due Date	Status
<u>Unqualified audit opinion</u>						
<u>Emphasis of Matter paragraphs</u>						
<u>Significant Uncertainty:</u>						
8	As disclosed in note 44 to the financial statements, the municipality is the defendant in nine lawsuits. The ultimate of these matters was not determinable at year-end and no provision for any liability that was made in the financial statements.	The Municipality must prioritize to resolve all the lawsuit and sign the settlement agreements where possible. The management must also ensure that the legislation is adhering to prevent the recurring of cases.	Acting Director Corporate Services: SR Ntuli	Corporate Services	Ongoing	The municipality is currently attending to cases and they are cases which are finalized each financial year.

Material losses and impairments

9	As disclosed in note 42 to the financial statements, material electricity distribution losses amounting to R9,1 million (2015: R8.56 million), and kilowatts of 6,7 million (20:4.7 million) were incurred as a result of illegal connections, ageing infrastructure and technical losses.	The municipality have identified the root cause for the distribution losses which is the ageing infrastructure (technical losses) and tempering with prepaid meters by households (non-technical losses). The municipality needs to embark on the project where electricity infrastructure will be refurbished and also implemented a project of changing all post-paid and prepaid meters from household.	Director Technical: S Cele	Technical Services	30-Jun-17	The municipality will receive an allocation from Department of Energy in 2017/18 Financial Year which will be used to refurbish the electrical infrastructure. Changing of meters in progress
---	--	--	-------------------------------	--------------------	-----------	---

10	<p>As closed in note 4 to the financial statements, the municipality provided for impairment of receivables from exchange transaction amounting to R4,75 million (2015: R6,60 million) due to poor collection practices and history of debtor non-payment.</p>	<p>The municipality must perform the assessment on all outstanding debts to determine the irrecoverable debts which must be written off.</p>	<p>Chief Financial Officer: S Mngwengwe</p>	<p>Budget and Treasury</p>	<p>31-May-17</p>	<p>The terms of reference for the project has been completed and the costing will be done and submitted to Council for consideration.</p>
----	--	--	---	----------------------------	------------------	---

Going concern

11	<p>As disclosed in note 45 to the financial statement, the municipality's current liabilities exceed its current assets by R22,97 million as at 30 June 2016. consequently, the municipality is unable to pay its creditors as and when they become due. conditional grants were not backed by cash and the liquidity ratio was also unfavorable. these conditions, along with other matters stated in the above-mentioned note</p>	<p>The going concern assessment was performed by the management. The municipality must address the issues of debtors' collection and distribution losses which is currently a huge challenge to the municipality which leads to failure by the municipality in meeting its obligations. The municipality must also put in place measures and control to recover revenue and effective implementation of revenue enhancement strategy and cut costing measures to reduce expenditure will also assist the municipality in improving the cash flow management.</p>	<p>Municipal Manager: TV Mkhize</p>	<p>Executive & Finance</p>	<p>30-Jun-17</p>	<p>The municipality have developed the Financial recovery plan which will attend to the going concern matters. The municipality have requested support from KZN COGTA to address the Financial matters.</p>
----	---	--	-------------------------------------	--------------------------------	------------------	---

indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.					
---	--	--	--	--	--

Findings of predetermined objectives

Usefulness of information

Measurability of indicators and targets

21	As disclosed in note 45 to the financial statement, the municipality's current liabilities exceed its current assets by R22,97 million as at 30 June 2016.	The going concern assessment was performed by the management. The municipality must address the issues of debtors collection and distribution losses which is currently a huge challenge to the municipality which leads to failure by the	Municipal Manager: TV Mkhize	Executive & Finance	30-Jun-17	The municipality have developed the Financial recovery plan which will attend to the going concern matters. The municipality have requested support from KZN COGTA to address the Financial matters.
----	--	--	------------------------------	---------------------	-----------	--

<p>consequently, the municipality is unable to pay its creditors as and when they become due. conditional grants were not backed by cash and the liquidity ratio was also unfavorable. these conditions, along with other matters stated in the above-mentioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable</p>	<p>municipality in meeting its obligations. The municipality must also put in place measures and control to recover revenue and effective implementation of revenue enhancement strategy and cut costing measures to reduce expenditure will also assist the municipality in improving the cash flow management.</p>				
--	--	--	--	--	--

	future.					
22	As disclosed in note 45 to the financial statement, the municipality's current liabilities exceed its current assets by R22,97 million as at 30 June 2016. consequently, the municipality is unable to pay its creditors as and when they become due. conditional grants were not backed by cash and the liquidity ratio was also unfavourable.	The going concern assessment was performed by the management. The municipality must addressed the issues of debtors collection and distribution losses which is currently a huge challenge to the municipality which leads to failure by the municipality in meeting its obligations. The municipality must also put in place measures and control to recover revenue and effective implementation of revenue enhancement strategy and cut costing measures to reduce expenditure will also assist the municipality in improving the cash flow	Municipal Manager: TV Mkhize	Executive & Finance	30-Jun-17	The municipality have developed the Financial recovery plan which will attend to the going concern matters. The municipality have requested support from KZN COGTA to address the Financial matters.

	<p>these conditions, along with other matters stated in the above-mentioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.</p>	<p>management.</p>				
23	<p>As disclosed in note 45 to the financial statement, the municipality's current liabilities exceed its current assets by R22,97</p>	<p>The going concern assessment was performed by the management. The municipality must address the issues of debtors collection and distribution losses which is currently a huge challenge</p>	<p>Municipal Manager: TV Mkhize</p>	<p>Executive & Finance</p>	<p>30-Jun-17</p>	<p>The municipality have developed the Financial recovery plan which will attend to the going concern matters. The municipality have requested support from KZN COGTA to address the Financial matters.</p>

	<p>million as at 30 june 2016. consequently, the municipality is unable to pay its creditors as and when they become due. conditional grants were not backed by cash and the liquidity ratio was also unfavorable. these conditions, along with other matters stated in the above-mentioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate</p>	<p>to the municipality which leads to failure by the municipality in meeting its obligations. The municipality must also put in place measures and control to recover revenue and effective implementation of revenue enhancement strategy and cut costing measures to reduce expenditure will also assist the municipality in improving the cash flow management.</p>				
--	--	--	--	--	--	--

	as a going concern in the foreseeable future.					
--	---	--	--	--	--	--

Reliability of information

Reliability

24	For 50% of the indicators, the reported achievements against planned targets were not reliable because i was unable to obtain sufficient appropriate audit evidence for these targets. In addition, the reported achievements against planned targets for 50% of the indicators were not reliable	The municipality must implement proper systems and utilize the PMS System which was procured to address the gap in the Performance Management System. The Mid-Year review must be utilized to ensure compliance.	Manager Strategic and Political Support: MA Sukazi	Executive	28-Feb-17	The municipality have appointed consultant to assist with systems in the Performance Management. The mid- year assessment will be performed and adjustment to targets will be done to address the findings.
----	---	--	--	-----------	-----------	---

<p>when compared to the evidence provided. The FMPPi requires municipalities to have appropriate system to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets.</p>					
---	--	--	--	--	--

Achieved target

26	The annual performance report on pages x to x and x to x which includes in the context of the material finding on the usefulness and reliability of the reported performance information for the selected development priority reported in paragraphs 21 to 24 of this report.	All	All	All	28-Feb-17	The municipality have appointed consultant to assist with systems in the Performance Management. The mid- year assessment will be performed and adjustment to targets will be done to address the findings.
----	--	-----	-----	-----	-----------	---

Compliance with laws and regulations

Strategic planning and performance management

28	The annual performance report on pages x to x and x to x which includes in the context of the material finding on the usefulness and reliability of the reported performance information for the selected development priority reported in paragraphs 21 to 24 of this report.	All	All	All	28-Feb-17	The municipality have appointed consultant to assist with systems in the Performance Management. The mid- year assessment will be performed and adjustment to targets will be done to address the findings.
----	--	-----	-----	-----	-----------	---

29	The KPI's set by the municipality did not include indicators on percentage of households with access to basic level of electricity, as required by section 43 (2) of the MSA and regulation 10 (a) of the MPPMR.	All	All	All	28 - Feb-17	The municipality have appointed consultant to assist with systems in the Performance Management. The mid- year assessment will be performed and adjustment to targets will be done to address the findings.
30	The annual performance report for the year under review did not include measures taken to improve performance as required by section 46(1)(b) of the MSA.	All	All	All	28- Feb-17	The municipality have appointed consultant to assist with systems in the Performance Management. The mid -year assessment will be performed and adjustment to targets will be done to address the findings.

Annual financial statements						
31	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of Property Plant and Equipment, Property Rates revenue, expenditure and disclosure identified by the auditors in the submitted financial	The municipality has bought Case Ware Financial System which will assist the municipality in ensuring that AFS are prepared in accordance with Sec 122 of MFMA. The municipality must ensure that the financial account are done on a monthly basis which will assist the municipality in ensuring that the Draft Annual Financial Statements are submitted to Internal Auditors before end of July 2017 for review.	Chief Financial Officer: S Mngwengwe	Budget and Treasury	28-Feb-17	The municipality have prepared the Bi-Annual Financial Statements for 2016/17 Financial Year and all problem areas were identifies. The municipality has prepared the AFS Preparation Plan which will assist the municipality to finalize the AFS before end of July 2017.

	statements were subsequently corrected and the supporting records were provided resulting in the financial statements receiving an unqualified audit opinion.					
Procurement and contract management						
32	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of 17(a) and (c) of supply chain	The municipality must ensure that all procurement processes are in accordance with SCM regulations and all officials adhere to the regulations. The municipality must also workshop the SCM regulations to SCM officials and other relevant officials.	Chief Financial Officer: S Mngwengwe	Budget and Treasury	31-Mar-17	The SCM officials have been equipped by providing the workshop of procedure Manuals which is assisting them to ensure that the SCM regulations is followed for all transactions. The SCM Manager post was filled during the year.

	management (SCM) regulations.				
33	Goods and services of transaction value above 200 000 were procured without competitive bids, as required by SCM regulation 19(a).				
34	Contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential				

	Procurement Policy Framework Acts of South Africa, 2000 (Act No 5 of 2000) (PPPFA) and its regulation.					
35	Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21 (b) and 28 (1)(a) and the Preferential procurement regulations (PPR) of 2011, issues in terms of the					

	PPPFA.					
36	Thresholds for local content on designated sectors' procurement were not properly applied in accordance with the requirement of regulation 9 of the PPR.					

Expenditure Management:						
37	Money owed by the municipality was not always paid within 30 days, as required by sections 65 (2)(e) of the MFMA.	The municipality must adjust the municipal budget to ensure that it is fully funded to avoid late payment which also results to fruitless and wasteful expenditure being incurred. The municipality must also implement the cost containment measures in order to reduce the spending.	Chief Financial Officer: S Mngwengwe	Budget and Treasury	30-Jun-17	Financial Recovery Plan and the cutting of budget to ensure that it is funded with realistic anticipated revenue has been performed which will assist the municipality in improving the process of payment within 30 days as per MFMA.
38	Reasonable steps were not taken to prevent unauthorized, irregular, as well as fruitless and wasteful expenditure, as required by section 62 (1)d)		All	All	30-Jun-17	Strict adherence to the SCM Policy and SCM regulations has been put and procedure manuals has been communicated to SCM officials.

	of the MFMA.					
Revenue Management:						
39	The municipality's credit control and debt collection policy was not implemented effectively, as required by section 96(b) of the MSA and section 621(1)(f)(iii) of the MFMA	The Municipality must fully implement the credit control and debt collection policy to enhance the revenue. The indigent management must also be prioritized which will address the accurate billing. The municipality must fully implement the Financial Recovery Plan which was developed.	Chief Financial Officer: S Mngwengwe	Budget and Treasury	31-Mar-17	The Financial Recovery Plan has been developed which will also enforce the implementation of the policy. The terms of reference for indigent management project has been finalized which will also assist in the smooth implementation of the policy.

Consequence management						
40	Unauthorized, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by sections 32(2)(a) and (b) of the MFMA.	Council must investigate all unauthorized, irregular and fruitless and wasteful expenditure incurred by the municipality before they write it off as per section 32 of MFMA	Municipal Manager: TV Mkhize	Executive	30-Jun-17	The provision of section 32 will be implemented by the municipality. has been submitted to Council and the matter has been referred to MPAC for investigation.
41	Council certified unauthorized, irregular as well as		Municipal Manager: TV Mkhize	Executive	30-Jun-17	The provision of section 32 will be implemented by the municipality. The item has been submitted to Council and the matter has been referred to MPAC for investigation.



--

fruitless and wasteful expenditure as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) and 32(2)(b) of the MFMA.

--

--

--

--

--

Compliance with laws and regulations

Internal Control:

42	I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance	The municipality to address all compliance with laws and regulations and resolved the to ensure that the municipality achieves a clean audit report by 2018/19 financial year as per Council resolution.	Municipal Manager T.V. Mkhize	All	30-Jun-17	The compliance with legislation is an ongoing target and the municipality is currently doing everything to ensure that the Compliance with legislation is achieved.
----	--	--	-------------------------------	-----	-----------	---

	report and the findings on compliance with laws and regulations included in this report.					
Leadership						
43	Leadership did not provide adequately oversee that effective measures were taken to address repeat findings on financial and performance reporting as well as compliance with legislation	Council must perform the oversight role and closely monitor the implementation of internal controls to ensure that the municipality achieves the clean audit report by 2018/19 financial year as per Council resolution.	Municipal Manager T.V. Mkhize	Executive	30-Jun-17	The municipality is currently in progress in implementing the target date is 30 June 2017.

Financial and Performance Management:						
44	Senior management did not implement proper records management over the maintenance of documents supporting financial and performance reports. Staff members did not fully understand the requirement of the financial and performance reporting frameworks, which contributed to the material findings of predetermined objectives and compliance with	The municipality must ensure that record keeping management is properly maintained to ensure that supporting documentation are provided immediately to auditors. The Performance management System must be prioritized during the year as it is evidenced that the municipality is redressing in terms of the PMS.	Municipal Manager T.V. Mkhize	Executive	30-Jun-17	The municipality is currently in progress in implementing the target date is 30 June 2017.

legislation and material adjustments that were required to the financial statement. management was also slow respond in addressing the recommendation s of the audit committe and internal unit				
---	--	--	--	--

-
.
|
-
.

Auditor-General of South Africa

eDumbe Municipality -
Audit report 2014-15

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the Council on eDumbe Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the eDumbe Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

-
3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
 4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the eDumbe Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

7. As disclosed in note 46 to the financial statements, the municipality is the defendant in a number of lawsuits related to contracts entered into by the municipality. The municipality is opposing some of the claims, as it believes the claims to be fraudulent or unwarranted. The ultimate outcome of these matters cannot presently be determined.

Material losses and impairments

8. As disclosed in note 44 to the financial statements, material electricity losses amounting to R4,70 million (2014: R6,4 million), were incurred as a result of technical and non-technical distribution losses.
9. As disclosed in note 7 to the financial statements, the municipality provided for impairment on property, plant and equipment amounting to R1,53 million (2014: R19 150) due to conditional assessments that were performed.
10. As disclosed in note 5 to the financial statements, the municipality provided for impairment of receivables from exchange transactions amounting to R6,60 million (2014: R8,39 million) due to poor collection practices.

Going concern

11. As disclosed in note 47 to the financial statements, the municipality was not able to pay instalments on a DBSA loan, conditional grants were not backed by cash and the liquidity ratio was unfavourable resulting in an inability to pay creditors timeously. These conditions, along with other matters stated in the abovementioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.

Additional matters

12. I draw attention to the matters below.

Unaudited supplementary schedules

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

Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for basic service delivery and infrastructure development as well as good governance and public participation development priorities presented in the annual performance report of the municipality for the year ended 30 June 2015.
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material findings in respect of the selected development priorities are as follows:

Basic service delivery and infrastructure development

Usefulness of reported performance information

Measurability of indicators and targets

Performance targets not specific and measurable and indicators not well defined

20. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 30,7% of the targets were not specific.

21. Performance targets should be measurable as required by the FMPPI. I could not measure the required performance for 30,7% of the targets.

22. Performance indicators should be well-defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 23% of the indicators were not well-defined.

23. This was due to a lack of proper systems and processes and/or technical indicator descriptions.

Reliability of reported performance information

24. The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Overall, 25,3% of the targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for significantly important targets.

Good Governance and Public Participation

Reliability of reported performance information

25. The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 33,3% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures

Additional matters

26. I draw attention to the following matters.

Achievement of planned targets

27. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected development priorities reported in paragraphs 19 to 25 of this report.

Compliance with legislation

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

Strategic planning and performance management

29. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the integrated development plan (IDP), as required by section 41(1)(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulations 1 and 91(1)(a) of the Municipal Planning and Performance Management Regulations (MPPMR).
30. The performance management system and related controls were not in place as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by section 38 of the MSA and regulation 7 of the MPPMR.
31. The annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan, as required by section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.
32. The annual performance report for the year under review did not include measures taken to improve performance as required by section 46(1)(b) of the MSA.

Budgets

33. The total unforeseen and unavoidable expenditure incurred exceeded five percent of own revenue, in contravention of Municipal Budget and Reporting regulation 72.

Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of receivables, revenue, commitment, irregular expenditure, budget statement, property, plant and equipment, accumulated surplus and cash flow identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

35. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulations 17(a) and (c).
36. Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement regulations.
37. Contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

-
38. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
39. Sufficient appropriate audit evidence could not be obtained that all extension or modification to contracts were approved by a properly delegated official, as required by SCM regulation 5.

Expenditure management

40. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
41. Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants

42. The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant allocation; Municipal Systems Improvement Grant allocation and Local Government Financial Management Grant allocation, as required by section 12(5) of DoRA.

Revenue management

43. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA

Consequence management

44. Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
45. The condonation of irregular expenditure was not approved by the appropriate relevant authority, as required by sections 1 and 170 of the MFMA.
46. Council certified unauthorised, irregular, fruitless and wasteful expenditure as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

Internal control

47. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

48. Leadership did not provide adequate oversight and monitoring controls in ensuring that effective measures were taken to address findings on the financial statements, as well as findings on predetermined objectives and compliance with legislation. This was due to a slow response in addressing the recommendations of the audit committee and internal audit.

Financial and performance management

49. Senior management did not implement proper record management systems for the maintenance of documents supporting reported financial and performance information. This contributed to the material findings on predetermined objectives and material adjustments that were required to the financial statements.

Auditor-General

Governance

50. There was a lack of effective monitoring and evaluation by oversight structures over the financial and performance information in accordance with prescribed legislation and corporate governance principles.


AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pietermaritzburg

27 November 2015



Action Plan for Issues raised in 2014/2015 Financial year

Annexure
A

Paragraph No.	Findings	Actions Required	Responsible official	Department Concern	Due Date	Status
<u>Unqualified audit opinion</u>						
<u>Emphasis of Matter paragraphs</u>						
<u>Significant Uncertainty:</u>						
7	As disclosed in note 46 to the financial statements, the municipality is the defendant in a number of lawsuits related to contracts entered into by the municipality. The municipality is opposing some of the claims, as it believes the claims to be fraudulent or unwarranted. The ultimate outcome of these matters cannot presently be determined.	The Municipality must prioritise to resolve all the lawsuit and sign the settlement agreements where possible.	Acting Director Corporate Services: SR Ntuli	Director Corporate Services	Ongoing	The municipality have resolved lawsuits for Mthembu and Sons (two cases) and Cox and Partners case and other cases are still handled by the Municipal attorneys.



Material losses and impairments						
8	As disclosed in note 44 to the financial statements, material electricity losses amounting to R4,70 million (2014: R6,4 million), were incurred as a result of technical and non-technical distribution losses.	The e municipality has put control to reduce the distribution losses , where we have identify which areas are affected and have strategy(-upgrading our infrastrure) that will be implemented.	Municipal Manager T.V. Mkhize	Technical & Finance	30-Jun-16	The municipality is currently engaging with Eskom seeking assistance for the full assessment of Electricity Infrastructure which will assist the municipality in developing the Electricity Maintenance Plan. The municipality is also implementing the project for Smart meters to address the tempering with electricity meters which will minimise the non-technical



9	As disclosed in note 7 to the financial statements, the municipality provided for impairment on property, plant and equipment amounting to R1,53 million (2014: R19 150) due to conditional assessments that were performed.	The municipality must perform the conditional assessment of all assets and provide the maintenance plan or replacement plan for old assets.	Chief Financial Officer: S Mngwengwe	Finance	31-May-16	The meeting with consultants was conducted and the asset management project is currently in progress and all matters will be address the asset matters.
10	As disclosed in note 5 to the financial statements, the municipality provided for impairment of receivables from exchange transactions amounting to R6,60 million (2014: R8,39 million) due to poor collection practices.	The municipality must perform the assessment on all outstanding debts to determine the irrecoverable debts which must be written off.	Chief Financial Officer: S Mngwengwe	Finance	31-May-16	The engagement with KZN COGTA was done and they have contributed to the establishment of the Revenue and Debt Steering Committee of the municipality which functional. The financial recovery plan have been developed by the municipality which also addresses the actions to be done for outstanding debts.



Going concern						
11	As disclosed in note 47 to the financial statements, the municipality was not able to pay instalments on a DBSA loan, conditional grants were not backed by cash and the liquidity ratio was unfavourable resulting in an inability to pay creditors timeously. These conditions, along with other matters stated in the abovementioned note indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.	The assessment for going concern must be done. Measures and control to recover revenue and effective implementation of revenue enhancement strategy and cut costing measures to reduce expenditure based on the developed cash flow management must be effected	Chief Financial Officer: S Mngwengwe	Finance	30-Apr-16	The municipality have developed the Financial recovery will attend to the going concern matters. The municipality have settled the DBSA loan however the cash flow of the municipality remains the challenge recovery plan will assist in addressing the issues.

Findings of predetermined objectives

Usefulness of information

Measurability of indicators and targets

20	Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPPI. A total of 30,7% of the targets were not specific.	This was due to a lack of proper systems and processes and/or technical indicator descriptions. The municipality must procure the PMS system which will assist the municipality in addressing the PMS findings. The Mid-Year assessment must be utilised to ensure compliance.	Manager Strategic and Political Support: MA Sukazi	Executive	19-Feb-16	The municipality have appointed consultant to assist with systems in the Performance Management. The mid year assessment has been performed and adjustment to targets was done. The matter is resolved.
21	Performance targets should be measurable as required by the FMPPPI. I could not measure the required performance for 30,7% of the targets.					



22	Performance indicators should be well-defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 23% of the indicators were not well-defined.					
----	---	--	--	--	--	--

Reliability of information

Reliability

24	The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Overall, 25,3% of the targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for significantly important targets.	This was due to a lack of proper systems and processes and/or technical indicator descriptions. The municipality must procure the PMS system which will assist the municipality in addressing the PMS findings. The Mid-Year assessment must be utilised to ensure compliance.	Manager Strategic and Political Support: MA Sukazi	Executive	19-Feb-16	The municipality have appointed consultant to assist with systems in the Performance Management. The mid -year assessment has been performed and adjustment to targets was done. The matter is resolved.
----	---	--	--	-----------	-----------	--



25	<p>The FMPPI requires municipality's to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 33,3% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures</p>					
Achieved target						
27	<p>Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected development priorities reported in paragraphs 19 to 25 of this report.</p>	<p>The municipality must ensure that the targets planned are achievable based on the available resources</p>	All	All	30-Jun-16	<p>The municipality have appointed consultant to assist with systems in the Performance Management. The mid-year assessment has been performed and Adjustment to targets was done. The matter is resolved.</p>



Compliance with laws and regulations						
Strategic planning and performance management						
29	Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the integrated development plan (IDP), as required by section 41(1)(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulations 1 and 91(1)(a) of the Municipal Planning and Performance Management Regulations (MPPMR).	This was due to a lack of proper systems and processes and/or technical indicator descriptions. The municipality must procure the PMS system which will assist the municipality in addressing the PMS findings. The Mid-Year assessment must be utilised to ensure compliance.	All	All	19-Feb-16	The municipality have appointed consultant to assist with systems in the Performance Management. The mid -year assessment has been performed and adjustment to targets was done. The matter is resolved.



30	The performance management system and related controls were not in place as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by section 38 of the MSA and regulation 7 of the MPPMR.					
31	The annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan, as required by section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.					
32	The annual performance report for the year under review did not include measures taken to improve performance as required by section 46(1)(b) of the MSA.					
Budget:						
33	The total unforeseen and unavoidable expenditure incurred exceeded five percent of own revenue, in contravention of Municipal Budget and Reporting regulation 72.	The municipality must ensure that all expenditure incurred is in accordance with regulations to avoid non-compliance	Chief Financial Officer: S Mngwengwe	Finance and Executive	29-Feb-16	The mid year assessment report was prepared and approved by Council. The matter is resolved.



--	--	--	--	--	--	--

Annual financial statements

34	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of receivables, revenue, commitment, irregular expenditure, budget statement, property, plant and equipment, accumulated surplus and cash flow identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided resulting in the financial statements receiving an unqualified audit opinion.	The municipality have bought CaseWare Financial System which will assist the municipality in ensuring that AFS are prepared in accordance with Sec 122 of MFMA. The municipality will also produce the BI-Annual AFS.	Chief Financial Officer: S Mngwengwe	Finance and Executive	29-Feb-16	The municipality have prepared the Bi-Annual Financial Statements for 2015/16 Financial Year and all problems identified. The municipality has prepared the AFS Preparation Plan which will assist the municipality to finalise the AFS before end of July 2016.
----	--	---	---	-----------------------	-----------	--



Procurement and contract management						
35	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulations 17(a) and (c).	The municipality must ensure that all procurement processes are in accordance with SCM regulations and all officials adhere to the regulations. The municipality must also workshop the SCM regulations to SCM officials and other relevant officials.	Chief Financial Officer: S Mngwengwe	Finance and Executive	31-Mar-16	The SCM officials have been equipped by providing the workshop of Procedure Manuals which is assisting them to ensure that the SCM regulations is followed for all transactions.
36	Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement regulations.					
37	Contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).					
38	Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).					
39	Sufficient appropriate audit evidence could not be obtained that all extension or modification to contracts were approved by a properly delegated official, as required by SCM regulation 5.					



Expenditure Mangement:						
40	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	The municipality must adjust the municipal budget to ensure that it is fully funded to avoid late payment which also results to fruitless and wasteful expenditure being incurred.	Chief Financial Officer: S Mngwengwe	Finance	30-Jun-16	Financial Recovery Plan and the cutting of budget to ensure that is it funded with realistic anticipated revenue has been performed which will assist the municipality in improving the process of payment within 30 days as per MFMA.
41	Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.	The municipality must adjust the municipal budget to ensure that it is fully funded to avoid late payment which also results to fruitless and wasteful expenditure being incurred.	All	All	30-Jun-16	Strict adherence to the SCM Policy and SCM regulations has been put and procedure manuals has been communicated to SCM officials.
Conditional grants						
42	The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant allocation; Municipal Systems Improvement Grant allocation and Local Government Financial Management Grant allocation, as required by section 12(5) of DoRA.	The municipality must evaluate the performance of its grants as required by DORA, section 12 (5)	Municipal Manager: TV Mkhize and Chief Financial Officer: S Mngwengwe	Finance and Technical	30-Jun-16	The municipality will implement the requirements of section 12(5) of DORA.



--	--	--	--	--	--	--

Revenue Management:

43	A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA	The Municipality must fully implement the credit control and debt collection policy to enhance the revenue	Chief Financial Officer: S Mngwengwe	Finance	31-Mar-16	The Financial Recovery Plan has been developed which will also enforce the implementation of the policy. Currently the municipality is setting statements and the disconnection of supply where services are not paid for has been started however not in all households.
----	--	--	---	---------	-----------	---



Consequence management						
44	Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.	Council must investigate all unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality before they write it off as per section 32 of MFMA	Municipal Manager: TV Mkhize	Executive	30-Jun-16	The provision of section 32 will be implemented by the municipality however the process has not started as yet.
45	The condonation of irregular expenditure was not approved by the appropriate relevant authority, as required by sections 1 and 170 of the MFMA.	The municipality must submit a request to National Treasury to condone the irregular expenditure incurred by the municipality.	Municipal Manager: TV Mkhize	Executive	30-Jun-16	The provision of section 32 will be implemented by the municipality however the process has not started as yet.
46	Council certified unauthorised, irregular, fruitless and wasteful expenditure as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.	Council must investigate all unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality before they write it off as per section 32 of MFMA	Municipal Manager: TV Mkhize	Executive	30-Jun-16	The provision of section 32 will be implemented by the municipality however the process has not started as yet.



Compliance with laws and regulations

Internal Control:

48	I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.	The municipality to address all compliance with laws and regulations and resolved the to ensure that the municipality achieves a clean audit report by 30 June 2016	Municipal Manager T.V. Mkhize	All	30-Jun-16	The compliance with legislation is an ongoing target and the municipality is currently doing everything to Ensure that the compliance with legislation is achieved.
----	---	---	-------------------------------	-----	-----------	---



Leadership						
47	Leadership did not provide adequate oversight and monitoring controls in ensuring that effective measures were taken to address findings on the financial statements, as well as findings on predetermined objectives and compliance with legislation. This was due to a slow response in addressing the recommendations of the audit committee and internal audit.	Council must perform the oversight role and closely monitor the implementation of internal controls to ensure that the municipality achieves the clean audit report by 30 June 2016.	Municipal Manager T.V. Mkhize	Executive	30-Jun-16	The municipality is currently in progress in implementing the target and due date is 30 June 2016
Financial and Performance Management:						
49	Senior management did not implement proper record management systems for the maintenance of documents supporting reported financial and performance information. This contributed to the material findings on predetermined objectives and material adjustments that were required to the financial statements.	The municipality must ensure that record keeping management is properly maintained to ensure that supporting documentation are provided immediately to auditors	Municipal Manager T.V. Mkhize	Executive	30-Jun-16	The municipality is currently in progress in implementing the target and due date is 30 June 2016



Governance						
50	There was a lack of effective monitoring and evaluation by oversight structures over the financial and performance information in accordance with prescribed legislation and corporate governance principles.	Council must perform the oversight role and closely monitor the implementation of internal controls to ensure that the municipality achieves the clean audit report by 30 June 2016.	Municipal Manager T.V. Mkhize	Executive	30-Jun-16	The municipality is currently in progress in implementing the target and due date is 30 June 2016
Information Technology						
31	The ICT manager had not maintained a weekly log of unauthorised access to the municipality's network system. As a result, access breaches could not be followed up.	The municipality must maintain weekly logs and keep evidence for audit purposes.	Acting Director Corporate Services: SR Ntuli	Director Corporate Services	30-Jun-16	The municipality is currently in progress in implementing the target and due date is 30 June 2016



APPENDIX A: COUNCILLORS: COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Council Member	Full Time/Part time	Committee Allocated	Ward or Party Represented	No. Of Meeting Attended
BM Nxusa	FT	Infrastructure Services & Finance	Ward 5 (NFP)	10
NR Simelane	FT	Speaker	Ward 8 (NFP)	10
NM Nhlabathi	PT	Infrastructure Services & Finance , Planning Development & MPAC	Ward 2(NFP)	07
IAT Mbatha	PT	Planning	Ward 3 (ANC)	00
SE Thela	PT	Infrastructure Services & Finance And Planning & Development	Ward 1(NFP)	11
NZ Kheswa	PT	Corporate & Community Services	PR (IFP)	05
MP Khumalo	PT	Planning & Development ,Corporate & Community & MPAC	Ward 7 (NFP)	04
SR Nkosi	PT	Corporate & Community Services And MPAC	PR (NFP)	09
DZ Mtshali	PT	Corporate & Community Services	Ward 6 (NFP)	04



SJ Kunene	PT	Planning & Development	Ward 4 (ANC)	00
S Mkhabela	FT	Corporate & Community Services	PR (NFP)	07
R Gevers	PT	Infrastructure Services & Finance & MPAC	PR (DA)	10
ND Ndlangamandla	PT	Planning & Development & MPAC	PR (IFP)	02
TP Sibeko	PT	Infrastructure Services & Finance	PR (ANC)	10
BT Shabalala	PT	Corporate & Community Services & MPAC	PR (ANC)	05



APPENDIX B: COMMITTEES AND COMMITTEE PURPOSE

Refer to Appendix A

COMMITTEES AND THE PURPOSE	
MUNICIPAL COMMITTEES	REASON
Executive Committee	<p>Reviews the performance of the municipality in order to improve:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The economy, efficiency and effectiveness of the municipality; <input type="checkbox"/> The efficiency of credit control and revenue and debt collection services; and <input type="checkbox"/> The implementation of the municipality's by-laws; <ul style="list-style-type: none"> ➤ Monitors the management of the municipality's administration in accordance with the policy directions of the municipal council (output monitoring); ➤ Oversees the provision of services to communities in the municipality in a sustainable manner; ➤ Annually reports on the involvement of communities and community organisations in the affairs of the municipality; ➤ Annually reports on the involvement of communities and community organisations in the affairs of the municipality;



	<ul style="list-style-type: none">➤ Ensures that regard is given to public views and reports on the effect of consultation on the decisions of the council;➤ Makes recommendations to council regarding:<ul style="list-style-type: none">➤ The adoption of the estimates of revenue and expenditure, as well as capital budgets and the imposition of rates and other taxes, levies and duties;➤ The passing of by-laws; and➤ The raising of loans;➤ Approval or amendment of the IDP➤ Appointment and conditions of service of Municipal Manager and heads of departments.
--	---



<p>Finance & Infrastructure Portfolio Committee Corporate & Community Services Portfolio Committee Planning & Development Portfolio Committee</p>	<p>Formulates recommendations for consideration by the executive committee in relation to:</p> <ul style="list-style-type: none"> ➤ Policy falling within the functional area of the portfolio after consultation with the relevant Head of Department; ➤ Annual business plans falling within the functional area of the portfolio; ➤ The implementation of the business plans of the functional areas of the portfolio; ➤ The review of financial performance against approved budgets relating to prior and current years including dealing with reports from the Auditor-General; ➤ The draft budget in respect of the functional areas of the portfolio, including tariffs of charges after consultation with the relevant Head of Department; ➤ Reports and recommendations submitted in respect of the functional areas of the portfolio including comment arising from its oversight function; ➤ Compliance with the legislation, norms and standards in respect of the functional areas of the portfolio; ➤ Passing or amendments of by-laws pertaining to the function of the portfolio; ➤ Prioritising projects falling within the functional areas of the portfolio.
---	---



Municipal Public Account Committee (MPAC)	The primary function of a Municipal Public Account Committee is to help council to hold the executive and the municipal administration to account and to ensure the efficient and effective use of municipal resources. It will do this by reviewing public accounts and exercising oversight on behalf of the council.



APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

**eDumbe Local Municipality
Senior Management Team**

Directorate	Name
Municipal Manager	Mr T.V.Mkhize
Finance Department	Mr S. Mngwengwe
Corporate Services Department	Vacant
Planning & Development Department	Mr S Ntuli
Community Services Department	Ms Z.M.Mdlazi
Infrastructure Department	Mr S.Cele



APPENDIX D: FUNCTIONS OF MUNICI MUNICIPALITY/ENTITY

SOURCE	FUNCTION	SOURCE	FUNCTION
Schedule 5B	Abattoirs	Other	Aids sector plan
Schedule 4B	Air pollution	Other	Anti-corruption and fraud system
Schedule 4B	Amusement Facilities	Other	Art & culture
Schedule 4B	Billboards & Advertising	Other	Burial of Indigent People
Schedule 4B	Building Regulations		Communication strategy and Public Participation
Schedule 5B	Care of Animals	Other	Community based planning & land reform
Schedule 5B	Cemeteries & Crematoria	Other	Community capacity building programme
Schedule 4B	Child Care Facilities	Other	Community development workers
Schedule 4B	Cleansing	Other	Community outreach\imbizo programmes

Schedule 5B	Control of selling liquor to public	Other	Democracy Education, to enhance participation to elections (LGE)
Schedule 5B	Fencing & Fences	Other	Disaster Management
Schedule 4B	Fire Fighting	Other	Free basic Services programme
Schedule 5B	Local Amenities	Other	Development Facilitation Plan
Schedule 5B	Local Sport Facilities	Other	Land use management system
Schedule 4B	Local Tourism	Other	Local Economic Development
Schedule 5B	Markets	Other	Middle to well to do housing
Schedule 4B	Municipal Airports	Other	Municipal Health Services
Schedule 5B	Municipal Roads	Other	Parks & Recreation
Schedule 5B	Noise Pollution	Other	Potable Water to end user
Schedule 5B	Parking	Other	Rental housing scheme
Schedule 4B	Planning & Development	Other	Sanitation (Housing Projects)
Schedule 5B	Pounds	Other	Shared\Single Internal Audit Service
Schedule 5B	Public Nuisances	Other	Solid Waste
Schedule 5B	Public Places	Other	Supply of Electricity (House Hold)
Schedule 4B	Public Transport	Other	Town establishment Programme



Schedule 4B	Storm Water	Other	Ward Committee Programme
Schedule 5B	Street lighting	Other	Trading Regulations
Schedule 5B	Street trading	Other	Traffic Control

In terms of Section 83 of the Municipal Structures Act (No. 117 of 1998), a municipality has the functions and powers assigned to it in terms of sections 156 and 229 of the Constitution, and those functions are as follows:



APPENDIX E- WARD REPORTING

Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 01	Council S.E Thela	Yes	12	12	
	Dlamini Buhle Douglas				
	Mngomezulu Norman Bhekokwakhe				
	Ndinisa Sindisiwe A				
	Hillerman Werner Heinrich				
	Sibisi Siphon Richman				
	Mngomezulu Nokuthula Duduzile				
	Mthethwa Nozipho				
	Nhlengethwa Bhekumuzi Esaah				
	Bongani Nkosi				
	Mtshali Nomfundo				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 02	Council N.M Nhlabathi	Yes	12	12	
	Ndlovu M.E				
	Nxumalo N.L				
	Hlatshwayo T.D				
	Sithole S.M				
	Hlophe S.M				
	Sangweni M.W				
	Nhlabathi M.R				
	Dlamini S.B				
	Mabaso Z.I				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 03	Council IAT Mbatha	Yes	12	12	
	Khumalo Qondi L				
	Nkosi Dinile R				
	Khambule Glenrose T				
	Vundla Mphambeni H				
	Gumede Sbongile K				
	Van Finter Ingo H				
	Hambrock Hienz G				
	Buthelezi Dumsani D				
	Shabangu Sifiso				
	Khumalo Rev Fana				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 04	Council SJ Kunene	Yes	12	12	
	Mkhonza Bhekinkosi W				
	Masondo Thandeka C				
	Mayaba Thandi V				
	Zwane Buselaphi R				
	Madonsela Snethemba				
	Zwane Thoko Beauty				
	Zaca Sihle Fortunate				
	Masuku Khwezi Catherine				
	Maseko Toto Elliot				
	Kunene Luka B				



Functionality Ward Committees

Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 05	Council B.M Nxusa	Yes	12	12	
	Dlamini Apolo V				
	Khalishwayo Jetro				
	Khumalo Phumzile S				
	Sithole Hleziphi				
	Malinga Boy J				
	Vilakazi Mxosheni				
	Masondo Qwashile Ilina				
	Mabaso Ntongolozzi M				
	Hlomuka Musa				
	Malinga Mdumiseni Z				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 06	Councilor D.Z Mtshali	Yes	12	12	
	Msibi Melusi.S				
	Shabangu B.G				
	Nkosi M.N				
	Sigubudu Duduzile Joice				
	Maseko Pawulose				
	Ndlangamandla Bhekabantu D				
	Myeni Thembeni A				
	Ndwandwe Mkhanyiseni				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meeting held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 07	Councilor M.P Khumalo	Yes	12	12	
	Mthembu Khangezile P				
	Xaba Lindiwe N				
	Nkosi Awei Joice				
	Zwane Bhekinkosi E				
	Ndlozi Primrose F				
	Maseko Delisile M				
	Zikalala Agrineth N				
	Mdlalose Mthokozisi E				
	Buthelezi Khethiwe				
	Nkosi Nozipho Ziphorah				



Functionality Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward Committee members	Committee established (Yes/No)	Number of monthly committee meeting held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 8	Councilor N.R SIMELANE	Yes	12	12	
	Mbatha Harriet Fikile				
	Kunene Lineth N				
	Zondo Amos Msikeleni				
	Gumbi Beauty G				
	Vilakazi Phumlani Erick				
	Nxumalo Hezekia Z				
	Zulu Lindiwe Thobile				
	Buthelezi Hlekisile S				
	Khumalo Sandile				
	Kunene Promise Namsile				



Functionality of Ward Committees						
WARD NO	NAME & SURNAME	WardmCommittee established Yes/No	Ward Committee Monthly Meetings held in a year	No. of attendance Registers submitted to Speaker on time	CONTACT NO.	ID NUMBER
01	Cllr SE Thela	Yes	12	12	0721550407	
01	WERNER HILLERMANN				082 9440 638	640930 5011 089
01	XOLANI V MBATHA				073 5691 927	780408 5806 089
01	BHEKUMUZI NHLENGETHWA				076 5487 891	690606 5510 085
01	BHEKISISA MATAVELA				072 7657 451	840427 5405 088
01	NORMAN B MNGOMEZULU				082 7908 075	710710 5385 088
01	BUSELAPHI A MNGOMEZULU				071 5968 823	760923 0323 082
01	SINDISIWE A NDINISA				076 5644 574	840502 1100 089
01	SIPHO R SIBISI				082 2156 186	790217 5469 089
01	NOKUTHULA D				073 6789 338	770310 0858 085



	MNGOMEZULU					
01	B DOUGLAS DLAMINI				072 3801 368	730126 5278 080
02	Cllr NM Nhlabathi	Yes	12	12	0724194914	
02	MANDLA E NDLOVU				079 7721 675	830127 5479 081
02	MPHUMZENI Z MDINISO				079 7695 197	570415 5866 082
02	MDUDUZI W SANGWENI				072 6557 364	900126 5841 089
02	SIPHIWE M SITHOLE				072 1132 051	651216 0325 088
02	LIZZY NXUMALO				072 5341 541	611017 0364 088
02	MANELI R NHLABATHI				072 5341 540	760105 0978 087
02	THOBILE HLATSHWAYO				078 4269 882	700724 0938 082
02	SIPHIWE MELTA HLOPHE				079 7459 281	661222 0477 083
02	SIZANI SYLVIA NKOSI				084 8585 612	530101 1059 083
03	IAT Mbatha	Yes	10	10	0824190235	
03	QONDI L KHUMALO				076 2871 610	861022 1126 087
03	DINILE R NKOSI				073 3930 260	601212 0565 089



03	GLANROSE T KHAMBULE				073 3002 738	680725 0662 089
03	MPHAMBENI H VUNDLA				076 2127 149	770622 5292 080
03	SBONGILE K GUMEDE				073 0899 519	460113 0277 088
03	INGO HERMAN VAN FINTER				079 7925 552	580219 5077 080
03	HEINZ GERHARD HAMBROCK				082 5238 175	500720 5037 088
03	DUMISANI D BUTHELEZI				082 2627 756	540305 5592 084
03	SIFISO SHABANGU				078 272 2854	790329 5915 084
03	FANA KHUMALO				078 9294 723	470130 5302 084
04	SJ Kunene	Yes	0	0	0824466916	
04	LUKA B KUNENE				083 6998 312	650712 5530 087
04	BHEKINKOSI W MKHONZA				079 6719 894	730201 5756 086
04	THANDEKA C MASONDO				078 5616 221	820916 0401 088
04	THANDI V MAYABA				083 6343 115	601004 0796 081
04	BUSELAPHI R ZWANE				083 6662 446	630520 0363 080
04	TOTO ELLIOT MASEKO				083 6662 446	400520 5255 081



04	THOKO BEAUTY ZWANE				073 4066 681	501025 0258 088
04	SIHLE FORTUNATE ZACA				060 4678 317	750205 0273 083
04	SINETHEMBA MADONSELA				084 2591 183	900801 5648 086
04	KHWEZI CATHERINE MASUKU				083 6998 312	641230 0285 088
05	BM Nxusa	Yes	12	12	0824177772	
05	MUSA HLOMUKA				082 4396 929	580708 5808 080
05	APOLO V DLAMINI				084 4542 520	730308 5568 088
05	JETRO KHALISHWAYO				079 5856 822	770706 5622 089
05	PHUMZILE S KHUMALO				072 8065 679	560422 0795 086
05	HLEZIPHI SITHOLE				082 4097 803	880419 1114 088
05	BOY J MALINGA				072 8130 483	560113 5341 089
05	MXOSHENI VILAKAZI				071 2388 978	501229 5179 089
05	IRENE SHONGWE				079 0643 842	380312 0195 080
05	NTONGOLOZI M MABASO				076 8570 235	631210 0520 082
05	MDUMSENI Z MALINGA				0721 648 725	6 802 115



						581 087
06	DZ Mtshali	Yes	12	12	0764138522	
06	MELUSI S MSIBI				071 0330 040	841021 5748 081
06	THEMBANI A MYENI				074 2438 217	850707 1629 089
06	PAULOSE MASEKO				076 4138 522	520613 0229 086
06	MKHANYISENI NDWANDWE				076 1539 363	760313 6283 086
06	ALBERT SHABANGU				076 4462 089	511206 5247 080
06	BHEKABANTU DLAMINI				072 7711 393	850417 6170 085
06	M N NKOSI				072 8572 498	630722 5388 084
06	DUDUZILE JOICE SIGUBUDU				082 6825 856	600609 0474 082
07	NP Khumalo	Yes	12	12	0767741800	
07	KHANGEZILE P MTHEMBU				076 7564 613	910603 1012 085
07	LINDIWE N XABA				082 2916 120	710802 5050 081



07	AWEI JOICE NKOSI				073 0359 896	690114 0681 081
07	BHEKINKOSI E ZWANE				082 8446 752	630311 5519 084
07	PRIMROSE F NDLOZI				073 8527 788	911013 0900 085
07	DELISILE M MASEKO				074 8735 084	890524 1080 086
07	AGRINETH N ZIKALALA				073 6101 132	830428 1142 081
07	MTHOKOZISI E MDLALOSE				083 3602 314	871010 5354 084
07	KHETHIWE BUTHELEZI				073 7814 674	641228 0522 088
07	NOZIPHO ZIPHORAH NKOSI				073 6722 696	930912 0937 087
08	NR Simelane	Yes	12	12	0727211944	
08	HARRIET FIKILE MBATHA				071 4608 037	690510 0418 080
08	LINETH N KUNENE				082 3638 016	550613 0389 084
08	AMOS MSIKELENI ZONDO				071 2739 055	640106 5596 086
08	BEAUTY G GUMBI				073 3934 199	710103 0077 084
08	SANDILE KHUMALO				076 5614 536	870508 5941 082
08	HEZEKIA Z NXUMALO				082 5408 421	840225 5666 083



08	LINDIWE THOBILE ZULU				071 7823 812	900704 0473 080
08	HLEKISILE S BUTHELEZI				073 0638 345	670914 0662 081
08	PHUMLANI ERICK VILAKAZI				083 3665 557	900523 6194 080
08	PROMISE NAMSILE KUNENE				073 6511 265	840417 0802 082



Ward 1				
Location	Key Development Issues to be addressed by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
NKONKOTHO	INFRASTRUCTURE	Sanitation	Building of toilets	Reducing diseases
	AGRICULTURE	Community gardens	Fencing, cultivation, planting and irrigation	Fighting with poverty
KHOMBELA	INFRASTRUCTURE	Sanitation and roads	Building of community toilet and filling potholes in the road	
	AGRICULTURE	schools and communal gardens	Fencing, planting, cultivation of schools and communal gardens	
	COMMUNITY SERVICES	Schools and public areas	Cleaning of school, clinic and community places	
EHLOKO	INFRASTRUCTURE	Filling of potholes	Tools and labour	Safety
	ENVIRONMENT	Cleaning of Schools	Tools and Labour	Neatness
	ENVIRONMENT	School gardens	Seedlings and tools	Fighting poverty
OBIVANYANA	INFRASTRUCTURE	Repairing roads	Cements	Reducing car accidents and well maintained the access roads
	AGRICULTURE	Planting school gardens	Seeds and water pipes	Good harvest



	ENVIRONMENT	Cutting of grass at schools	Grass cutters, sickles and slashes	Cleanness
LENJANE	AGRICULTURE	Planting school gardens	Seeds and water pipes	Fighting against poverty and good harvest
	ENVIRONMENT	Digging holes	TLB machine	Neatness
	INFRASTRUCTURE	Making school garden	Surrounding fence, seeds and water pipes)	Protection of vegetables and good harvesting
	COMMUNITY SERVICES	Cleaning of cemeteries	Weed killer	Neatness
EZIXENI	INFRASTRUCTURE	Fencing school	Fencing	Protection of children
	INFRASTRUCTURE	School kitchen	Cleaning	Cleanness
	INFRASTRUCTURE	School toilets and school kitchen	Blocks, fencing and corrugated iron	Neatness
Ward 2				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
MANGOSUTHU	INFRASTRUCTURE	Fencing	Assisting with fencing at crèche and grave yards	Safety and secured
	INFRASTRUCTURE	Assistance of orphanage homes	Assisting with renovation old building	Benefit food and food parcels
	AGRICULTURE	Making community gardens	Assist with cultivation and planting	Harvest and serve poor people
	ENVIRONMENT	Cutting of grass and cleaning of schools	Assist with materials	Clean environment



	COMMUNITY SERVICES	Cleaning of illegal dumpsites	Assist with in weed in weed and rubbish removal	Clean community
	SOCIAL	Home visit	Assist with home base care	Assisting and support
KWANGWANYA	INFASTRATURE	Repairing road	Filling potholes	Well maintain access road
	AGRICULTURE	Establishment of communal and school gardens	Fencing, cultivation, planting irrigation and labour	Reducing poverty
	SOCIAL	Home base care	Cleaning house	Cleanness
	SOCIAL	Care visits	Cultivating yards	Cleanness
EZIBOMVU	SOCIAL	Home visit	Assist home by cleaning and labour if needed	People supported
	ENVIRONMENT	Cleaning at schools, churches and crèche's	Cleaning tools and labour	cleanness
	INFRASTRUCTURE	Repairing access roads and pavements	Assist with filling potholes and removing weed	Safety walking
	AGRICULTURE	Community garden	Assist with planting	Harvest and provide to poor people
EBILANYONI SECTION B	ENVIROMENT	Cleaning of schools	Cleaning tools and labour	Cleanness
	INFASTRUTURE	Cleaning of illegal dumping site	Cleaning tools and labour	cleanness
PHASE 5	INFASTRATURE	Street and road cleaning	Cleaning tools and labour	Neatness



	AGRICULTURE	Fencing	Making homestead garden	Reducing poverty
Ward 3				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
GREENFIELD	INFRASTRUCTURE	Filling potholes	Stones, soil and cements	Reducing car accidents and well maintained access the roads
	ENVIRONMENT	Cleaning toilets	Chemicals and sinks	Prevention of diseases
	AGRICULTURE	Making school gardens	Fence and watering materials	Reducing poverty
OLD LOCATION	ENVIRONMENT	Cutting of trees	Saws	Cleanness
	AGRICULTURE	(planting and cultivating	Planting, cultivating maintenance	Harvesting
MADELAKUFA	SOCIAL	Home based cared	Lenin safety, gloves, musk and food parcels	Life saver and reducing poverty
	INFRASTRUCTURE	Building toilet in to war room organization	Cements and blocks	Cleanness and hygiene
	AGRICULTURE	Planting the school gardens	Seeds and water pipes	Decrease poverty to orphans
LINDELANI	SOCIAL	Visit homes	Musk, gloves, linen safety and food parcels	Life saver
	AGRICULTURE	Making school gardens	Seeds and water pipes	Good harvest and
	ENVIRONMENT	Cleaning dumping sites	Cleaning tools and labour	Cleanness
	INFRASTRUCTURE	Street campaign	Cleaning tools	Cleanness



MATSHOTSHOMBENI	AGRICULTURE	Ploughing	Seeds and water pipes	Reducing poverty
	ENVIRONMENT	Cultivating	Seed controller and insect killer	Good harvest
	INFRASTRUCTURE	Building of causeway	Pipes, stones and cements	Safety
	COMMUNITY SERVICES	Cleaning of illegal dumpsites	Weed controller and TLB	Cleanness
Ward 4				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
BILANYONI	ENVIRONMENT	Fencing garden	Fence and seeds	Fighting with poverty, ploughing and planting
	SOCIAL	Home visits	Linen safety and food parcel	Life Saver
	INFRASTRUCTURE	Filling potholes	Carious stones	Road safety
EMBIZENI	INFRASTRUCTURE	Building of a course way	Pipes, cements and stones	Safety
	AGRICULTURE	Ploughing	Plant and seeds	Reducing poverty
	INFRASTRUCTURE	Filling dongas	Stones, fence and cement	Avoiding soil erosion
OLD STANDS	ENVIRONMENT	Fencing community garden	Provide about fence, poles, seeds, pipes and tanks	Fighting with poverty
	INFRASTRUCTURE	Fixing roads that are damaged by rain	Cements and stones	Safety walking
	ENVIRONMENT	Cleaning cemeteries and fencing	Providing with fencing property	Cleanness of community



	SOCIAL	Home based care	Assist old age people	Hygiene
	INFRASTRUCTURE	Fixing of public toilet for pensioners	Toilets seats, fixing pipes sinks and security)	Hygiene
MOSCOW	ENVIRONMENT	Fencing	Fence, tang and poles	Safety
	ENVIRONMENT	Cultivating	Seed control	Harvest
	ENVIRONMENT	Water stream	Cement and cracia stones	Avoiding soil erosion
	ENVIRONMENT	Toilets, cleaning school	Chemicals	Health and cleanness
EZINGANENI	INFRASTRUCTURE	Making soccer field	Grass and greater	Developing young soccer stars
	ENVIRONMENT	Fencing gardens	Fencing	Fighting with poverty
Ward 5				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
KWAVOVA	SOCIAL	Home visit	Gloves, musk and linen safety	Cleanness and life saver
	INFRASTRUCTURE	Building bridge	Cements, sand soil, ring forces and concrete	Safety Walk
	AGRICULTURE	Planting community garden	Seeds	Good harvest
THOLAKELE	SOCIAL	Home visit	Gloves, musk, need old age home	Safety
	AGRICULTURE	Planting and cultivating community gardens	Seed and insect killer	Good harvest
	ENVIRONMENT	Fencing	Fence, wire, wood and gate	Safety and protected



LUBENJANE	AGRICULTURE	Planting schools gardens and community gardens	Seeds, sulphur, insect killer and wee controller	Good harvest and fresh vegetables
	INFRASTRUCTURE	Building bridge	Sand, cement, concrete, net bag, ring force and pipes	Safety and good transport travel
KWAMPUNZI	INFRASTRUCTURE	Building toilets	Cements, sand soil and blocks	Cleanness
	SOCIAL	Home visit	Gloves, musk and food parcels	Safety
	INFRASTRUCTURE	Desks fixing	Plunge, snail and paint	Increasing of desk
KODLOMO	INFRASTRUCTURE	Roads paving, water pipes and repairs to dongas	Cements, concrete, sand, pipes and fences	Prevention of road damage
	AGRICULTURE	Planting community gardens	Seeds	Healthy food
Ward 6				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
NKEMBENI	SOCIAL	Home based cared visits	Gloves, musk, Lenin safety and food parcels	Safety
	AGRICULTURE	Planting and cultivating school gardens	Seeds	Good harvest
GEDLASI	INFRASTRUCTURE	Fencing community garden	Man power	Garden is closed
	ENVRINMENT	Cleaning of community hall	Man power	Healthiness at homes



LUJOJWANA	ENVIRONMENT	Painting ECD	Paint and brushes	Gaining suits ECD
	INFRASTRUCTURE	Building house	Ring force, blocks and roof	Avoiding poverty
OBISHINI/ BALMORAL	INFRASTRUTURE	Repairs of dongas	Stones, fence and cements	Avoiding soil erosion
	ENVIRONMENT	Clean-up campaign	Cleaning tools and labour	Cleanness
KWAGEBU	ENVIRONMENT	School gardens formation	Seeds and water pipes	Food security
	ENVIRONMENT	Establishing of rubbish pits	Rubbish bins/ cleaning tools and labour	Cleanness
Ward 7				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
MATSHEKAZI	ENVIRONMENT	Cutting grass	Grass cutters, sickles, slashes and rakes	
	INFRASTRUCTURE	Filling potholes	Shovels, cements and spades	Reducing car accidents
	AGRICULTURE	Making school gardens	Seeds and water pipes	Good harvesting and reducing poverty in community
KWAMANZI ASHISAYO	ENVIRONMENT	Cutting grass	Grass cutters, sickles and rakes	Cleanness
	INFRASTRUCTURE	Filling potholes	Shovels, wheel barrows and spades	Well maintained the access road
	AGRICULTURE	Planting and cultivating	Seeds	Good harvest
KWAGAMAKAZI	INFRASTRUCTURE	Repairing dongas	Cements, stones and fence	Avoiding soil erosion



	ENVIRONMENT	Cutting grass	Grass cutters and sickles	Cleanness
	AGRICULTURE	Planting and cultivating	Seeds	Good harvest
OBIVANE	ENVIRONMENT	(Cutting grass and establishing rubbish	Sickles, grass cutters and slashes	Cleanness
	AGRICULTURE	Planting and cultivating	Seeds and pipes	Good harvest
KHAMBULE MISSION	ENVIRONMENT	Cleaning campaign	Dust bins	Cleanness
	INFRASTRUCTURE	Filling potholes	Spades, wheel barrows and shovels	Well maintained the access roads
KHAMBULE FARMERS HALL	INFRASTRUCTURE	Filling potholes	Spades, wheel barrows and shovels	Well maintained the access roads
	ENVIRONMENT	Cleaning of schools	Brooms, mops, buckets and polish	Cleanness
Ward 8				
Location	Key Development Issues to address by CWP	CWP Activities / Focus Area	CWP Contribution	Variable Indicator
NDENDEDE	INFRASTRUCTURE	Gardens, maintaining local roads	Seeds and water pipes	Good harvest and well maintained the access roads
	AGRICULTURE	Making home seed gardens and community garden	Fence, and watering materials	Good harvest
	COMMUNITY SERVICES	Cleaning of illegal dumpsites and cleaning cemeteries	Weed controller and TLB	Cleanness



GODENI	ENVIRONMENT	Cleaning ground	Grass cutters and water pipes	Developing community hygiene
	INFRASTRUCTURE	Filling potholes	Cements and sand soil	Reducing car accident and well maintained the access roads
	AGRICULTURE	(Making schools gardens	Seeds and water pipes	Good harvesting
	ENVIRONMENT	Cleaning schools	Dust bin	Cleanness
PADDAFONTEIN	AGRICULTURE	Making school gardens	Seeds	Reducing poverty and good harvest
	AGRICULTURE	Maintaining roads/filling potholes	Cements, wheel barrows and roads	Reducing car accident and well maintained the access roads
	ENVIRONMENT	Cleaning schools	Dust bins	Cleanness
NHLAKANIPHO	AGRICULTURE	Making schools gardens	Seedling and water pipes	Good harvest and reducing poverty
	INFRASTRUCTURE	Filling potholes	Stones, cements, sand soil and fence	Reducing car accident and soil erosion
	ENVIRONMENT	Cutting grass	Grass cutters, sickles and slashes	Cleanness
MSOCO	AGRICULTURE	Making school gardens	Seedling	Good harvest and reducing poverty in to the community
	INFRASTRUCTURE	(Access gravel roads	Cements and soil	Well maintained the access



				roads
--	--	--	--	-------

APPENDIX F : WARD INFORMATION

Project Name	Ward in which the project is implemented	Project Description	Budget (Primary) allocation	Expenditure as of 30 June 2015	Percentage of work done as of 30 June 2015	Balance left after 30 June 2015	Over Spent Amount	Actual/Expected Expenditure	Total Amount	Reason for over spending
			R0.00	R0.00	%	R0.00	R0.00	R0.00	R0.00	
Regravelling of Ophuzane roads (1.5 km)	Ward 8	Regravelling of Ophuzane roads (1.5 km)	R 2 000 000.00	R 0.00	100%	R 0.00	R 0.00	R 2 000 000.00	R 2 000 000.00	N/A
Regravelling of Mangosuthu roads (3.6 km)	Ward 2	Regravelling of Mangosuthu roads (3.6 km)	R 2 000 000.00	R 1 999 999.25	100%	R 0.75	N/A	R 2 000 000.00	R 2 000 000.00	N/A
Regravelling of Bilanyoni road (700 m)	Ward 4	Regravelling of Bilanyoni road (700 m)	R 2 000 000.00	R 0.00	100%	R 0.00	R 0.00	R 2 000 000.00	R 2 000 000.00	N/A



Fencing of Tholakele Cemetery	Ward 5	Fencing of Tholakele Cemetery	R 600 000.00	R 423 610.81	85%	R 176 389.19	N/A	R 600 000.00	R 600 000.00	N/A
Construction of Brech crèche	Ward 1	Construction of Brech crèche	R 599 146.85	R 588 727.87	100%	R 10 418.98	N/A	R 599 146.85	R 599 146.85	N/A
Construction of Madulini crèche	Ward 6	Construction of Madulini crèche	R 600 000.00	R 587 594.06	100%	R 12 405.94	N/A	R 600 000.00	R 600 000.00	N/A
Construction of KwaVova Hall	Ward 5	Construction of KwaVova Hall	R1 250 000.00	R 1 176 733.45	90%	R 73 266.55	N/A	R1 250 000.00	R1 250 000.00	N/A
Construction of KwaGamakazi Hall	Ward 7	Construction of KwaGamakazi Hall	R2 250 000.00	R 2 118 598.00	35%	R131 402.00	N/A	R2 250 000.00	R2 250 000.00	N/A
Rehabilitation of Taxi Rank	Ward 3	Rehabilitation of Taxi Rank	R 680 000.00	R 606 757.24	100%	R 73 242.76	N/A	R 680 000.00	R 680 000.00	N/A
Installation of 2 Bilanyoni High Masts	Ward 4	Installation of 2 Bilanyoni High Masts	R 700 000.00	R 475 224.60	80%	R 224 775.40	N/A	R 700 000.00	R 700 000.00	N/A



APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE REPORT 2015/2016

The eDumbe Audit Committee is pleased to present its report for the period ended in 30 June 2016

1. PREAMBLE

The eDumbe Municipality Audit and Performance Committee (AUDCOM) presents its report to Council for the Financial Year ended 31 June 2016

2. LEGAL MANDATE

The legal responsibilities of AUDCOM are set out in terms of Section 166 of the Municipal Finance Management Act No 56 of 2003 (MFMA) complemented by the National Treasury Circular No 65.

3. MEMBERSHIP

During the quarter under review AUDCOM consisted of three members, that is, Dr BV Thabethe (Chairperson), Prof L de Clercq (Member) and Mr D Bosch (Member). However, during the meeting held on 26 October 2015 Mr Bosch tendered his resignation as a member of the Committee following his appointment to eThekweni Municipality Audit Committee. Although the Municipality and AUDCOM regretted the departure of Mr Bosch his resignation was accepted as it was in compliance with Treasury directive that a member should not serve in more than three audit committees

Ms ZP Khanyile was appointed on 28 April 2016 as additional Audit Committee member replacing Mr Bosch



The following is a table indicating how each member attended the meeting during the year under review:

NAME	POSITION	NO. OF MEETINGS ATTENDED
Dr BV Thabethe	Chairperson	05
MR Danie Bosch	Member	02
Prof L de Clerq	Member	05
Ms Z P Khanyile	Member	02

4. RESPONSIBILITIES

In the conduct of its duties, AUDCOM has performed the following statutory duties relating to 2015/2016 Financial Year.

4.1. High Level Review of Fraud and Internal Financial Controls

The municipal Internal Audit function is outsourced to PricewaterhouseCoopers Inc. (PWC). The Internal Auditor presented to AUDCOM its findings and recommendations on their review of the Fraud and Internal Controls to ascertain compliance in terms of the Division of Revenue Act (namely, Budgeting, monitoring, receipts and payment of funds, recording and reporting) The Audit Committee noted with concern that PWC had highlighted areas where controls have not been designed and implemented to address identified risks and/or instances of non-compliance with existing control procedures which might have the following impact:



- The financial risk
- Operational risk
- The impact on the Municipal image
- The impact on third parties and
- The impact on employee morale

The Internal Auditor identified five high threat and one medium threat risks. These high threats are:

- a) Budget not aligned with equitable share allocation.
- b) Payment to service providers not supported by valid contracts and authorisations to perform some projects
- c) Possible discrepancies in reporting
- d) Documents not signed as proof of review and approval and
- e) SCM processes not followed in some instances

And the medium threat risks was

- a) Lack of evidence of review of adjustment journal

5. NOTICEABLE AREAS OF IMPROVEMENTS

The Audit Committee noted with appreciation the following areas of improvement:

5.1. Elimination of High Vacancy Rates especially at Senior Level

The Audit Committee noted the Human Resources Vacancy Report submitted during the meetings and appreciated that the vacancies of the Director Planning and Director Technical Services had been successfully resolved.

5.2. Unqualified Audit Report for 2014/2015 Financial Year

The Audit Committee was pleased that the Municipality had achieved an unqualified audit report. The Committee hoped that a follow up Action Plan to address the matters raised in the said report would be strictly adhered to if repeat findings were to be avoided. Also the Committee tried its best to encourage the Management to be wary of regressing and allow the emergence of new issues that would be prevent a clean audit status during the next audit



5.3. Meetings Recording System

The Audit Committee noted with appreciation the functionality of the recording system and hoped that the minutes of its meetings would henceforth be a true reflection of what was said during the meetings as there would be a device to assist in this regard.

5.4. Risk Management Reports

The Risk Management Report had significantly improved. The top wide operational risks high risks were being attended. The Committee also recommended that it would appreciate if a separate IT Risk Report could be submitted during all meetings.

5.5. The Dashboard Report

Audit Committee noted with appreciation the improved Dashboard Report and the Action Plans that were developed to resolve some of the issues raised in the report. The establishment of the Dashboard Committee which also complemented the Risk Committee was noted with appreciation, especially the gender distribution of the committee. The Committee viewed this as a step in the right direction in empowering the other levels in the staff establishment.

5.6. Handling of Fraud and Disciplinary Cases

The Committee noted the number of cases the Municipality was faced with and the progress made in resolving them. The Committee strongly recommended that cases with a criminal inclinations should be given the due treatment they deserve instead of Council accepting resignations and early retirements as easy ways to avoid accountability. In future such resolutions might backfire to Council. In short the Committee advised that criminal cases should be reported to the police.

6. RECOMMENDATIONS

6.1. The Audit Committee recommendations have not marginally changed.

6.2. The Consequence Management Reports should become a standing item in the next Audit Committee's meetings.

6.3. The eDumbe Municipality is strongly advised to develop one of the middle manager as a Compliance Officer.



6.4. On a quarterly basis the Audit Committee would like to see an item on Service Providers' Performance Report.

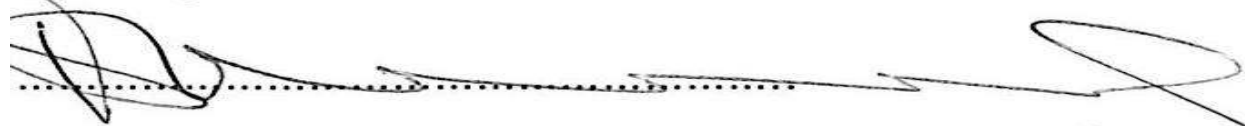
6.5. The Management must always submit to the Audit Committee the Draft Reviewed SDBIP for the following Financial Year. This exercise would give the Audit Committee the assurance that it is capable of addressing the residual challenges in the six Key Performance Areas (KPA) of the Municipality.

6.6. During the under review the Audit Committee recommended that in all meetings the issue of the participation of aMakhosi in Council activities should be reported on will need to be clarified as part of the Good Governance and Public Participation KPA.

6.7. As part of the Service Delivery KPA the municipality should on a regular basis disclose its status on Waste Management.

6.8. The Audit Committee would appreciate if the new Council in its Agenda have a standing item whereby the Chairperson or his delegated colleague presents the Audit Committee reports during Council meetings.

This report is submitted on behalf of the Audit Committee by:



Dr BV Thabethe

25 January 2017

Chairperson: Audit Committee



APPENDIX I: SERVICE PROVIDER PERFORMANCE SCHEDULE

PERFORMANCE OF EXTERNAL SERVICE PROVIDER (APPENDIX –I)

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

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



The following are the service providers engaged in each business unit during the 2015/2016 financial year

Assessment of External Service Providers											
Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Seskhona Printing Solutions	09/07/2015	Supply and delivery of 6 Photocopier machines	once-off	R 2 360.00 pm	Supply and delivery of 6 Photocopier machines	Target was achieved on time	Supply and delivery of 6 Photocopier machines	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Umqondo Consultancy	15/07/2015	Competency Training	6 months	R 940 000.00	N/A	N/A	Competency Training	Target was achieved on time		N/A
	Afri-Rent	09/07/2015	Vehicles on full maintenance lease for 36 months	36 Months	R 294 544.00	N/A	N/A	Vehicles on full maintenance lease for	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Mshana Trading (Pty)LTD	15/09/2015	Supply and installation of Bilanyoni High Mast Lighting		R 567 846.10	N/A	N/A	Supply and installation of Bilanyoni High Mast Lighting	80% of the project has been completed as of 30 June 2016		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Isulami Trading &Maximum OUTPUT CC JV	15/09/2015	Construction of BRECH CRECHE		
	Nashua Zululand	11/03/2016	Printing, folding and posting eDumbe Municipality	36 Months	R 488 160.00	N/A	N/A	Printing, folding and posting eDumbe	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Snothile Trading	15/09/2015	Construction of Madulini Crèche	5 Months	R549569.20	N/A	N/A	Construction of Madulini Creche	Target was achieved on time		N/A
	Mzimkhulu Trading	15/09/2015	Construction of Gamakazi hall	2 Months	R2125899.45	N/A	N/A	Construction of	35% of the project has		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Enterprice cc				
	Sizimiselengomse benzi Trading cc	15/09/2015	Construction of KwaVova Community Hall	8 Months	R1442105.59	N/A	N/A	Construction of KwaVova Community	90% of the project has been completed as of 30		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
								Hall	June 2016		
	Zamahlabisa Trading Enterprise (PTY) LTD	15/09/2015	Fencing of Tholakele Cemetery	3 Months	R 437305.58	N/A	N/A	Fencing of Tholakele Cemetery	85% of the project has been completed.		N/A
	Zizamele Construction	15/09/2015	Rehabilitation of Taxi Rank & Toilets	2 Months	R 557 497.60	N/A	N/A	Rehabilitation of Taxi	Target was achieved on		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	WNM Petroleum	30/09/2015	Supply & Delivery of Diesel & Petrol	3 Months	R 3, 600 000.00	N/A	N/A	Supply & Delivery of Diesel & Petrol	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Sibgem Management & Consulting Engineers	04/01/2016	Implementation of Agents for Housing Projects (Obivane Mpucuko)		
	Anshika Holdings	04/01/2016	Implementation of Agents for	Not	Not Stipulated	N/A	N/A	Implementa			N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							(Pty) LTD JV Capotex Trading Enterprise		Housing Projects (Nkembeni Madulini)		
	Fezeka Business Services	04/01/2016	Implementation of Agents for Housing Projects (Mahloni –	Not Stipulated	Not Stipulated	N/A	N/A	Implementa tion of Agents for			N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
									Gwanya)		
	Siqhwala Consulting Firm CC JV H & K Projects (Pty)	04/01/2016	Implementation of Agents for Housing Projects (Mpundu)	Not Stipulated	Not Stipulated	N/A	N/A	Implementation of Agents for Housing Projects		N/A	



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							LTD				
	Vumesa (Pty) LTD	04/01/2016	Implementation of Agents for Housing Projects (Mbizeni)	Not Stipulated	Not Stipulated	N/A	N/A	Implementation of Agents for Housing Projects (Mbizeni)			N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Capotex Trading Enterprise	04/01/2016	Implementation of Agents for Housing Projects (Edumbe Phase 5)		
	Innovations Gov.	27/01/2016	Provision of Automated	3 years	R3060 000	N/A	N/A	Provision	Target was		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Software		System and support		
	Aros General cc	01/03/2016	Provision Security Services and VIP Protection. Additional Scope of work VIP Security	Once-off	R 69000 pm R46000pm	N/A	N/A	Provision Security Services and VIP Protection . Target was achieved on time		N/A	



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
								Additional Scope of work VIP Security			
	Ngwekazi Security	01/03/2016	Provision Security Services and VIP Protection. Additional Scope of work VIP Security	Once-off	R 148 998.00 pm	N/A	N/A	Provision Security Services and VIP Protection.	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Isibaya Asphaltting And Civil JV Zaymer Trans	01/04/2016	Construction of eDumbe Testing Ground	Not Stipulated	R 6, 147 881.71	N/A	N/A	Constructio n of eDumbe Testing	Target is not achieved		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
	Mchunu BP Inc. Attorneys Permanent & Convincing Building	01/04/2016	Panel of Legal And Conveyencing Services	Not Stipulated	N/A	N/A	N/A	Panel of Legal And Conveyancing Services	Target was achieved on time		N/A
	Siyaya Attorneys	01/04/2016	Panel of Legal And	Not	N/A	N/A	N/A	Panel of Legal And	Target was achieved on		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
									Conveyancing Services		
	BV Buthelezi Vilakazi Inc. Attorneys	01/04/2016	Panel of Legal And Conveyancing Services	Not Stipulated	N/A	N/A	Panel of Legal And Conveyancing Services	Target was achieved on time		N/A	
	Sibgem	01/04/2016	The Implementation Of	3 years	N/A	N/A	The	Target was		N/A	



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Management & Consulting Engineers (PTY) LTD		Capital Projects Consultants For 3 Years (Appointment Letter)		
	Vumesa (PTY) LTD	01/04/2016	The Implementation of Capital Projects Consultants For 3	3 years	N/A	N/A	N/A	The Implementation of	Target was achieved on		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
			Years (Appointment Letter)					Capital Projects Consultants For 3 Years	time		
	BI Infrastructure Consultants (PTY) LTD	01/04/2016	The Implementation of Capital Projects Consultants For 3 Years (Appointment Letter)	3 years	N/A	N/A	N/A	The Implementation of Capital Projects	Target was achieved on time		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/ Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
								Consultants For 3 Years			
	Isulami Trading And Projects (PTY) LTD	01/04/2016	Grass Cutting For 36 Months (Appointment Letter)	36 months	R 3, 928 308.00	N/A	N/A	Grass Cutting For 36 Months	Target was achieved on time		N/A
	Mzimkhulu Trading	19/04/2016	Construction of KwaVova Community Hall	Not Stipulated	R 1 355 410.69	N/A	N/A	Construction of KwaVova	90% of the project has been		N/A



Assessment of External Service Providers

Bid Number	Name of Service Provider	Date Contracted	Service provided in terms of signed SLA	Performance Target/Time-frames	Value of Project	Comparison with previous financial year 2014/2015		Current Financial year 2015/2016		Assessment of Service Provider's Performance	Measures Taken for Poor Performance
						Target	Actual	Target	Actual		
							Enterprise cc				



APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST

SENIOR MANAGER'S ANNUAL SALARIES

POSITION	SALARY PER YEAR
MUNICIPAL MANAGER	R 1 039 729.44
CHIEF FINANCIAL OFFICER	R 807 262.56
DIRECTOR CORPORATE	Vacant
DIRECTOR PLANNING	R 807 261.96
DIRECTOR COMMUNITY	R 725 670.84
DIRECTOR TECHNICAL	R 807 261.84



DISCLOSURES OF FINANCIAL INTERESTS

Name		Business	Amount income
Mr TV Mkhize	Mabonwakude Multi Services cc	Transport, Tents, Mobile fridge	20 000 PM
	Thesa Investment cc	Training and Facilitation	4000 PM
Mr S. Mngwengwe	N/A	N/A	N/A
Ms ZM Mdlazi	N/A	N/A	N/A
Mr S Cele	N/A	N/A	N/A
Mr S Ntuli	N/A	N/A	N/A

APPENDIX K: REVENUE COLLECTION PERFORMANCE



See AFS for information



APPENDIX L: CONDITIONAL GRANT RECEIVED: EXCLUDING MIG

Grant Funding Received by eDumbe Municipality in 2015/2016 financial year

Grant Name	Grant Amount	Date in which the Grant was received	Name of the Funder	Conditions of the Grant (Briefly)	Amount Spent as of 30 June 2015	Balance Left	Reason for not Spending/ Over Spending
Integrated National Electrification Grant	R 7 000 000.00	10/07/2015	DOE	Electrification of households	R 15 503 804.96	- R 82 934.05	N/A
	R 4 000 000.00	16/09/2015					
	R 3 000 000.00	10/11/2015					
	R 2 000 000.00	10/02/2016					
	R 2 000 000.00	30/03/2016					
Municipal Infrastructure Grant	R 8 000 000.00	27/07/2015	Cogta	For Infrastructure	R 17 851 989.47	- R 491 308.26	N/A
	R 9 570 000.00	21/12/2015					
Municipal Systems Improvement Grant	R 930 000.00	24/07/2015	Treasury	For updating Municipal Financial Policies,	R 957 450.94	- R 375 509.27	N/A

				financial management system and fixed asset register to comply with the new GRAP.			
Finance Management Grant	R 1 800 000.00	27/07/2016	Treasury	To capacitate finance and improve audit outcome	R 1 885 547.17	- R 400 296.55	.N/A
E P W P Integrated Grant	R 316 000.00 R 317 000.00 R 422 000.00	15/02/2016 13/11/2015 14/08/2015	Public Works	EPWP Programme	R 993 580.68	R 422 535.28	N/A
Arts & Culture Grant	R 1 052 000.00	14/12/2015	Cogta	Library services	R 1 169 079.90	R 540 355.35	N/A
Cogta Massification Grant	R 7 000 000.00	14/12/2014	Cogta	Electrification Programme	R 6 981 638.89	R 18 361.11	N/A

APPENDIX M : CAPITAL EXPENDITURE

Capital Expenditure by Municipality

Performance against budget by municipalities

éDumbe Municipality	2013/2014			2014/2015			Operational Expenditure	2015/2016			
	Budget approved	Revenue		Budget approved	Revenue	Capital Expenditure		Budget approved	Revenue	Capital Expenditure	Operational Expenditure
Rand:	R	R 83 059 397	R 19 575 872 -67	R116 639 735	R 924 412 85	R 241 984 50	R86 213 181	R 144 927 621	R 144 927 621	R 34 691 500	R 110 236 121

.Outstanding debt and debt management

éDumbe Municipality	2013/2014				2014/15				2015/16			
	Electricity	Refuse	Housing	Other	Electricity	Refuse	Housing	Other	Electricity	Refuse	Housing	Other
Rands:	R 5 337 995	R 53 347 815	0	0	R 192 8725	R1445993	0	0	R 6 317 026.61	R 65 697 303.86	R 19 992 945.65	R - 852 724.13

VOLUME II : ANNUAL FINANCIAL STATEMENTS

Compliance with Municipal Finance Management Act, 2003

The Municipal Finance Management Act, 2003 stipulates that each municipality and municipal entity must timeously prepare and submit to the Auditor General an Annual Report for each financial year. This report consists mainly of the Annual Financial Statements (and their explanations thereof), the Auditor General's Report (including corrective action taken or to be taken based on the audit reports), audit committee recommendations, approved annual budgets and annual performance report (Section 46 Report). The Annual Financial Statements and the annual performance report (Section 46 report) must be submitted to the Auditor General's office by 31 August and the audited financial statement together with the audit reports must be ready by 31 December. The Annual Report must be tabled in council by 31 January. This annual reporting forms the basis for transparent governance and accountability and acts as a measure of performance for each previous financial year. The requirements for this statutory disclosure by municipalities are measured through their demonstration that they comply with the three Key Performance Indicators as follows:

6.5. Submission of Municipal Annual Financial Statements by 31 August 2016

Section 126 1 (a) of MFMA provides as follows " The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing". They are the most important record of the financial status of a municipality and must be prepared and submitted to the Auditor-General no later than 31 August of each

The following audit opinions based on the audit of the financial statements of municipalities can be issued;

Unqualified opinion - The opinion is expressed when the auditor concludes that the financial statements is fairly presented.

- Qualified opinion - The opinion is expressed when the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but concludes that the possible effects on the financial statements of undetected misstatements could be material, but not pervasive.
- Disclaimer opinion - The opinion is expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion and the undetected misstatements on the financial statements are both material and pervasive.
- Adverse opinion - The opinion is expressed when the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.



eDumbe Local Municipality
Financial statements
for the year ended 30 June 2016
Auditor General of South Africa
Registered Auditors

eDumbe Local Municipality

(Registration number KZN 261)

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

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

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	3
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
Notes to the Financial Statements	40 - 76

The following supplementary information does not form part of the financial statements and is unaudited:

Statement of Financial Performance	5
------------------------------------	---

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa

GRAP	Generally Recognised Accounting Practice
------	--

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

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.

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*
Assets			
Current Assets			
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
Non-Current Assets			
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
Total Assets		298 878 685	266 337 603
Liabilities			
Current Liabilities			
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		<u>858 131</u>	<u>1 114 965</u>
Other income	24	<u>1 268 380</u>	<u>542 957</u>
Interest received - investment	23	298 280	<u>276 102</u>
Total revenue from exchange transactions		23 577 130	<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	<u>94 729 371</u>	<u>92 260 839</u>
Fines, Penalties and Forfeits	22	3 588 441	<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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	<u>Other NDR</u>	<u>Accumulated</u>	<u>Total net</u>
		surplus	assets
Figures in Rand			
Balance at 01 July 2014	100 348	204 728 678	204 829 026
Changes in net assets			
Deficit for the year	-	23 810 550	23 810 550
Total changes	-	23 810 550	23 810 550
Restated* Balance at 01 July 2015	100 348	228 539 228	228 639 576
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	11 239 633
Total recognised income and expenses for the year	-	17 057 415	17 057 415
Total changes	-	17 057 415	17 057 415
Balance at 30 June 2016	100 348	245 596 643	245 696 991

Note(s)

eDumbe Local Municipality

(Registration number KZN 261)

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

29 175 366 30 362 796

Grants

93 005 957 89 260 946

Interest income

298 280 276 102

122 479 603 119 899 844

Payments

Employee costs

(33 716 192) (32 243 084)

Suppliers

(44 098 655) (48 173 062)

Finance costs

(2 863 979) (1 066 089)

Remuneration for Councillors

(5 216 844) (4 651 836)

		(85 895 670)	(86 134 071)
Net cash flows from operating activities	35	36 583 933	<u>33 765 773</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(32 793 127)	(34 397 190)
Proceeds from sale of property, plant and equipment	7	-	80 476
Proceeds from sale of non- current receivables		-	<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

(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						
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
overspending.

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 Cogta late in March 2015

		w				
high affected						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>	
 Non-Current Liabilities						
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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

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 inspection costs from the previous inspection are derecognised.

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.

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
Infrastructure		
• 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
Community		
• Buildings		25
• Recreational Facilities		25 - 30
Other		
• 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

eDumbe Local Municipality

(Registration number KZN 261)

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.

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:

eDumbe Local Municipality

(Registration number KZN 261)

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.

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;

eDumbe Local Municipality

(Registration number KZN 261)

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:

- 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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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

eDumbe Local Municipality

(Registration number KZN 261)

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..

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.

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:

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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
-

-
- 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.

Financial Statements for the year ended 30 June 2016

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

eDumbe Local Municipality

(Registration number KZN 261)

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 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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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:

-
- 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.

eDumbe Local Municipality

(Registration number KZN 261)

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 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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

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

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.

eDumbe Local Municipality

(Registration number KZN 261)

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

Unauthorised expenditure means:

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

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

1.21 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.

eDumbe Local Municipality

(Registration number KZN 261)

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 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.

eDumbe Local Municipality

(Registration number KZN 261)

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.

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

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

1.27 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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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

eDumbe Local Municipality

(Registration number KZN 261)

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:

	2016	2015
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	<u>287 982</u>

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.

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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	-
	<u>1 789 745</u>	<u>1 445 993</u>
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
	<u>65 408 203</u>	<u>67 490 804</u>
Less: Allowance for impairment	(63 713 531)	(65 692 583)
	<u>1 694 672</u>	<u>1 798 221</u>
Industrial/ commercial		
Current (0 -30 days)	389 128	558 062
31 - 60 days	209 032	235 711
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:

eDumbe Local Municipality

(Registration number KZN 261)

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>
4. Receivables from Exchange Transactions - Consumer debtors (continued)		
Included in above is receivables from exchange transactions	<u> </u>	<u> </u>
1 month past due	<u> </u> 1 297 092	<u> </u> 1 325 452
2 months past due	1 842 316	<u> </u> 2 049 265
	<u> </u> 3 139 408	<u> </u> 3 374 717
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> </u> 61 801 710
	68 276 497	<u> </u> 63 524 645
Debtors with Credit Balances		
Current (0 -30 days)		- <u> </u> 137 067

Consumer debtors pledged as security

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

Credit quality of consumer debtors

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

Consumers 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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016	2015
_____	_____
_____	_____

5. Receivables from non-exchange transactions

_____	_____
-------	-------

Government grants and subsidies

_____ 1 976 213	_____ 3 451 256
-----------------	-----------------

Traffic Fines

1 446 038	517 623
-----------	---------

Consumer debtors - Rates

_____ 6 571 516	_____ 2 998 358
-----------------	-----------------

9 993 767	_____ 6 967 237
-----------	-----------------

Gross balances

_____	_____
-------	-------

Consumer debtors - Rates

_____ 20 022 837	_____ 13 085 712
------------------	------------------

Less: Allowance for impairment

Consumer debtors - Rates

(13 451 321)	(10 087 354)
--------------	--------------

_____	_____
-------	-------

Net Balances

Consumer debtors - Rates

_____ 6 571 516	_____ 2 998 358
-----------------	-----------------

Property Rates

Current (0- 30 days)

531 625	541 678
---------	---------

31 - 60 days

_____ 585 592	_____ 465 189
---------------	---------------

61-90 days

508 625	397 056
---------	---------

91-120 days

_____ 284 190	_____ -
---------------	---------

121-365 days

4 661 484	_____ 1 594 435
-----------	-----------------

6 571 516	_____ 2 998 358
-----------	-----------------

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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

The amount spent during 2015/16 financial year, the municipality overspent on some of the grants due to numerous reasons.

The Electricification 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 Retentions 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

(Registration number KZN 261)

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> </u>
	<u> </u>	<u> </u>
	719 257	1 115 766
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> </u>	<u> </u>	<u> </u>
	719 257	719 257	-

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	-	31 047 129
Total	326 258 050	(53 287 961)	272 970 089	285 840 784	(42 565 454)	243 275 330

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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

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

(Registration number KZN 261)

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	147 149	-	<u>147 149</u>

Reconciliation of heritage assets 2016

				Opening balance	Total
Municipal Mayoral Chain				147 149	<u>147 149</u>

Reconciliation of heritage assets 2015

		Opening balance	Total
Municipal Mayoral Chain		147 149	<u>147 149</u>

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

	2016			2015		
	Cost / Valuation	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

(Registration number KZN 261)

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 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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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	—	-	<u>335 945</u>	<u>335 945</u>
		505 444	<u>335 945</u>	

14. Consumer deposits

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
	—	—
15. Unspent conditional grants and receipts (continued)	—	—
	—	—
Movement during the year	—	—
	—	—
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

(Registration number KZN 261)

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	(2 523 514)	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.

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

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

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 GEPP 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% from 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:

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.

A table setting out the assumed rates of withdrawal from service is set out below:

Decrements withdrawal	Withdrawal	Withdrawal
	rate Males	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
		weighted average age (Yrs)	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

(Registration number KZN 261)

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 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 %

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.
-

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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

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 %

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
20. Government grants and subsidies	—	—
Operating grants		
Equitable share	54 074 000	49 450 000
Finance Management Grant	1 885 547	1 821 829
Subsidy Arts and Culture	1 179 315	592 076
Municipal Systems Improvement Grant	603 681	798 556
Sports Development Subsidy	74 149	150 729
Extended Public Works Program Grant	993 581	710 464
	<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	18 831 924	20 759 786
	<u>35 919 098</u>	<u>38 737 185</u>
	94 729 371	92 260 839
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)

eDumbe Local Municipality

(Registration number KZN 261)

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

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.

eDumbe Local Municipality

(Registration number KZN 261)

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)	<u> </u>	<u> </u>
SPORTS DEVELOPMENT GRANT		
Balance unspent at beginning of year	149 271	-
Current-year receipts	-	300 000
Conditions met - transferred to revenue	<u>(74 149)</u>	<u>(150 729)</u>
	<u>75 122</u>	<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	<u>(1 583 369)</u>	<u>(5 398 270)</u>
	<u>18 361</u>	<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.

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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>
---------------------------------------	-----------	----------------

27. Bulk purchases

Electricity	16 679 087	<u>15 245 219</u>
-------------	------------	-------------------

Bulk purchases are in respect of electricity bill paid to ESKOM.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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	<u>1 571 414</u>
	3 547 277	<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	<u>205 266</u>	<u>173 664</u>
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	<u>402 939</u>	<u>351 200</u>
	37 011 531	<u>30 631 290</u>

Remuneration of municipal manager

Annual Remuneration	<u>639 709</u>	<u>587 264</u>
Car Allowance	225 774	203 530
Performance Bonuses	83 178	107 860
Contributions to UIF, Medical and Pension Funds	54 276	53 143
Other	<u>121 755</u>	<u>140 210</u>

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
29. Employee related costs (continued)		
Remuneration of Directors Corporate Services	—	—
Annual Remuneration	445 272	449 078
Car Allowance	137 183	148 022
Performance Bonuses	66 053	57 617
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	20 900
	778 158	796 954
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	9 438	8 973
Other	— 74 824 —	— 74 009 —
Cellphone Allowance	— 50 773 —	— 48 873 —
	789 550	753 249
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 .

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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	751 696	1 945 244
In second to fifth year inclusive	382 320	<u>339 391</u>
	<u>1 134 016</u>	<u>2 284 635</u>

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	<u>1 169 441</u>	<u>1 110 783</u>
In the second to fifth year inclusive	5 451 607	6 208 105
After five years	21 504 165	<u>13 841 438</u>
	28 125 213	<u>21 160 326</u>

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 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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

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.

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
Accumulated 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

eDumbe Local Municipality

(Registration number KZN 261)

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

Commitments - Not Contracted

16 359 950 34 691 500

16 540 287 37 815 414

This expenditure will be financed from:

Government Grants

16 540 287 37 815 414

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

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 incontraventions 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 contant 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 recovereable 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	-
Eskom late payments	278 033	-

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.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

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	-
	-	-
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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
41. Deviation from supply chain management regulations (continued)		
<p>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.</p>		
Accommodation and Other expenses	341 638	<u>771 293</u>
<p>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.</p>		
Anesco Toyota	59 838	<u>-</u>
<p>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.</p>		
IMFO	5 000	<u>27 209</u>
<p>The IMFO conference is only provided by sole supplier which is IMFO.</p>		
Lisulezazi Trading Enterprise	200 000	<u>-</u>

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

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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	-
General Expenditure		- 47 194
PMB TV Video Repairs Centre		- 35 000

Due to emergency for buglary in municipal bulding, 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, IsulamiTrading 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>
-----------------------------	---------	----------------

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>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

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:

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

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

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. MSN 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

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

4 050 448 4 050 448

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

2016 2015

44. Contingencies (continued)

Lime Distributors is suing the municipality for unpaid invoices for goods delivered in

423 258 423 258

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.

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

811 279 811 279

includes legal costs for plaintiff of R200 000 and the legal cost for the municipality of

R200 000.

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 accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of

business. 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	-	-
	-	-
	4 020 796	<u>4 636 705</u>

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

46. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade and other payables	35 840 435	21 933 701
VAT Payable	-	335 945
Maximum liquidity exposure	<u>35 840 435</u>	<u>22 269 646</u>

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	719 257	1 115 766
	-	-
Maximum interest exposure	719 257	<u>1 115 766</u>

47. Budget versus Actual Statement

The comparison of the Municipality's actual financial performance with that budgeted is set out in the face with reason for variances and corrective measures.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 624 376	617 032
Current year subscription / fee	505 578	<u>1 007 344</u>
	2 129 954	<u>1 624 376</u>

The amount is included accruals raised for 2015/2016 financial year for the membership to SALGA for the municipality.

Audit fees

Opening balance	-	45 089
Current year subscription / fee	1 366 922	990 265
Amount paid - current year	(1 353 790)	(990 265)
Amount paid - previous years	-	<u>(45 089)</u>
	13 132	-

The municipality paid the previous year balance as well as the current year invoices in full during the year.

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
48. Additional disclosure in terms of Municipal Finance Management Act (continued)	—	—
	—	—
PAYE and UIF		
Opening balance	1 338 448	1 176 693
Current year subscription / fee	6 906 722	6 115 416
Amount paid - current year	(4 502 108)	(4 773 968)
Amount paid - previous years	<u>(1 338 448)</u>	<u>(1 179 693)</u>
	2 404 614	<u>1 338 448</u>

The balance includes PAYE,SDL and UIF deducted from February 2016, April 2016, May 2016 and June 2016 payroll. These amounts were paid during July 2016. The amount of R 2 404 614 was not paid as at 30 June 2016 and it was part of the accrual raised in 2015/2016.

Pension and Medical Aid Deductions

Opening balance	430 726	977 096
Current year subscription / fee	8 339 978	4 188 595
Amount paid - current year	(6 040 513)	(3 745 744)
Amount paid - previous years	(430 726)	(989 221)
	2 299 465	<u>430 726</u>

The unpaid balance represents pension and medical aid contributions deducted from employees as at 30 June 2016 payroll as well as Council's contributions to pension and medical funds.

Councillors' arrear consumer accounts

They were no Councillors in arrears on their accounts as at 30 June 2016:

eDumbe Local Municipality

(Registration number KZN 261)

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

		2016	2015
49. Finance lease obligation			
Finance Lease liability - 2016	Future minimum lease Payments	Future finance charges	Present value of future minimum lease Payments
- within one year	2 791 819	(560 506)	2 231 313
- in second to fifth year inclusive	4 919 103	(629 959)	4 289 144
Total future minimum lease payments	7 710 922	(1 253 465)	6 457 457
Less: Amount due for settlement within 12 months (current portion)	(2 791 819)	560 506	(2 231 313)
Non-current future minimum lease payments	4 919 103	(629 959)	2 231 313
Finance Lease liability - 2015	Future minimum lease Payments	Future finance charges	Present value of future minimum lease Payments
- within one year	295 580	(62 544)	233 036
- in second to fifth year inclusive	438 737	(62 888)	375 849
Total future minimum lease payments	734 317	(125 432)	608 885
Less: Amount due for settlement within 12 months (current portion)	(295 580)	62 544	(233 036)
Non-current future minimum lease payments	438 737	62 888	375 849
Financial Position disclosure			
Current liabilities		2 231 313	233 036
Non Current liabilities		4 226 144	375 849
		6 457 457	608 885

'It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term is 3 years
 The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The municipality
 'is currently leasing the vehicles with Afirent and the Photocopiers with Biztec.
 Interest rates range from 9.25% to 10.50%.

50. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	105 412	526
Rental of equipment	129 457	200 562
Rental income - Plantation	1 110 783	<u>1 221 610</u>
	1 345 652	<u>1 422 698</u>

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June 2013
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance	<ul style="list-style-type: none"> • Service delivery & infrastructure

areas	<ul style="list-style-type: none"> • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation • Spatial Development
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation</i>

	<p><i>of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>
--	--

Conclusion

The 2015/2016 Draft Annual Report covers all the activities that were performed by the Municipality during the indicated financial year. It is important that this report is not final because there is still information that is outstanding and essential for incorporation into the report. Section 27 of MFMA states clear that the final version of the Annual report must be presented to council within 7 months after the end of each financial year.