



DRAFT
2015/2016
ANNUAL
REPORT

UPHONGOLO MUNICIPALITY

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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 budget which has been approved by Council, adjusted to reflect in year virements (i.e. transfers between budgets).
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.
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 “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Basic Service Delivery & infrastructure • Local Economic development • Municipal Transformation and Institutional Development • Financial Viability and Management • Good Governance and Public Participation

	<ul style="list-style-type: none"> Cross cutting Intervention
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:	<p>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.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation 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>

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

FOREWORD FROM THE HONOURABLE MAYOR



Honourable Speaker, Amakhosi, Deputy Mayor, Executive Committee Councillors, Management and Community Members Present, I greet you.

It is with great pleasure that I present this annual report for the financial year ending in June 2016. Firstly, I would like to congratulate you honourable councillors for being elected by your different constituencies to be the Champions of service delivery in your respective wards. I know this is not an easy task; it requires great commitment, passion, compromise and most of all putting the people's interest first before yours. Honourable speaker if I look at these councillors I'm definitely sure that they will do their work with honesty; integrity and collectively.

Honourable Speaker please allow me to take this opportunity to thank this council to welcome and allow me to lead them in this period. I promise that in these five years that we have been given by the electorate they will be spent fruitfully for the benefit of our people. Your inputs and constructive criticism is welcomed honourable councillors.

Honourable Speaker as the new council that has been in office for only a week or so, we have engaged in campaign for our different parties since April if not earlier than that. We are here in the council carrying clear mandates of our constituencies and of our communities at large. We are aware that we've been sworn in office after the IDP's and budgets of the 2016/17 financial year had been approved. What is expected of us is to re-affirm these two documents which are the main Fundamentals in delivering services to our people or rather amend them if needs be.

In this previous year Honourable Councillors the Municipality embarked on a number of projects in different wards in this municipality. You'll remember Hon. Speaker that during the 2015/16 Financial year this Municipality was able to deliver time for the first electricity in the community of ward 1, approximately 270 households will no more live in the darkness. We are also aware of the challenges that the project faced since it started and the pressure from the community that we got. We also thank the community's patience that they showed whilst we were still sorting out our issues with the service provider we appointed. We can proudly report that on the 02nd August 2016 the community of Mpakama and surroundings stopped using candles for the first time. We are also aware that not all the residents of ward 01 had access to electricity, which is sad but we are committing ourselves that we will put all our effort to electrify all households. Thanks to the leadership of former Mayor MM Hadebe for this great achievement.

We've, also Hon. Speaker, in the previous year been able to deliver projects like ECD centres in ward 04 and 09 responding to the call by the national government that education must be put first, and we also believe in the saying that "Zibanjwa zisemaphuphu". By building ECD's for our community we are also meeting the halfway parents who are working. They don't have to worry about the safety of the young ones while they are at work.

Also in education the municipality is continues to assist learners with bursaries when they need to further their studies in higher education institutions. We do this in a form of taking 10 students to university each year according to their needs. We also continue to assist learners with outstanding fees or registration fees if they are less than R10000-00. We again believe that this is not enough and we should collectively, come up with a strategy in which we can extend our educational financial assistances to our children. We should also consider catering for those who did not finish their matric but need to get to TVET's to acquire skills.

Honourable Speaker, we also believe in the saying that the country which does not take care of their youth has no future. So in trying to build our youth's future we engaged ourselves in projects like building sport field in ward 03, eSomile area, we've also built a beautiful community hall in ward 13 which was been handed over on 24 July this year.

There's also another hall in ward 09 which is also under construction. We believe that projects like sports field and community halls will keep our youth busy and remove them away from drugs and all the gangsterism activities which are destroying their future. They will be using these facilities in sporting activities which will bring food on the table for them and their families in the future if they are well monitored. We also like to urge you Honourable Councillors that when you do the budgeting in the following financial year also consider to cater for the sporting complex in our municipality since struggle a lot when as we had to beg for such facilities from other people. This will assist in boosting the moral and confidence of our youth and encourage them to participate fully in the sports.

One of the challenges that our municipality is facing is the issue of access roads. As uPhongolo we are one of the municipalities then are not that much poor so which means our community is affording to buy their own cars, so we don't want a situation where our fellow community members had to leave their wheels in the streets or in their neighbours because of the road the is in a bad condition. In the previous years we managed to build an access road in ward 04, which is now ward 08 I think this is not enough and we need to improve this councillors.

In the previous year we started the taring of road in ward 11 next to the clinic up until the education centre. We believe that this will assist in boosting our economy because by tarring our roads we make an environment conducive for investors to come and invest in our town. This will also help in the job creation for our people.

Honourable Speaker another responsibility of the municipality is to ensure that residents are safe, and there is no crime. So in conjunction with the department of Community Safety and Liaison we've successfully launched ward safety committees which is a structure that is the based where ten volunteers were elected to form a committee. The MEC for Community Safety and Liaison department has also in July 2016 launched the Community Safety Forum where all stakeholders come together and form a committee to lead the fight against crime in the whole of uPhongolo area. This structure is led by the head of the Municipality, the Mayor so we as the uPhongolo have leadership committed ourselves to making it sure that we do away with crime because we cannot afford to lead a community that lives in fear. We also believe that if there's crime no investor will come to Pongola because they

will be robbed of their things and the tourists will be afraid to come and visit this beautiful place of ours and we may lose business.

Honourable Councillors there is a lot that can be said about the achievements and progress by this municipality, one of our responsibilities is that we adhere to the Back to Basics agreement which we signed with the Dept. of COGTA in 2014. It stipulates that every one of us be it the councillors, senior management and junior staff stick to what they are employed for. If you are a cleaner in the municipality or you are secretary to make an example do it with honour and responsibly. We do not want a situation where you will find an employee during office hours doing shopping or something of that nature. We are also not expecting to see municipal properties being misused for we believed this is against the back to basic agreement we've signed.

In the local economic development, the municipality yearly allocates an amount of R50000-00 for each ward to assist our community start their own businesses. It is sad honourable councillors that it seems as the businesses are not sustainable. I think we should do an audit and a report on all the previous projects we've given to our people to see whether they are serving the purpose or not and if not come up with a turnaround strategy. We cannot waste taxpayer's money in something that has no progress. I believe that our LED department is doing everything in capacitating the cooperatives that are benefiting from the programme.

We know that this is not enough, maybe we have to take a decision that we use this money for one big project that will be well monitored instead of splitting it to many projects that are not helping.

Honourable councillor one of our most fundamental responsibilities is to do oversight in everything that is happening within our municipality. Having said so we need to put a close eye when it comes to the issue of financial management. In this municipality the issue of overtime has been an ongoing and uncontrollable concern and we urge our administration to come up with some measures to minimise or totally do away with this if possible. Our main mandate is service delivery, not and employment entity.

I am mentioning this fellow councillors because our municipality seems to be having too many employees than you would expect for a small municipality like ours. And this contradicts itself because you have an extreme rate of overtime and many employees so there's no logic at all in this. We would like to urge the management to look at this and try to use the available staff for we believe that they are more than equal to the task.

Having mentioned all these achievements and challenges we have, please allow me Honourable Speaker to take this opportunity to appreciate the good work that our administration is doing. We understand that they sometimes have to take their time they should be spending with their loved ones and dedicate it to the work of the municipality. Without them the councillors could have not achieved what we have. We also encourage them to put more effort for we believe there's still a room for improvement.

Honourable Speaker, Councillors and all present let me take this opportunity to wish this newly elected council a fruitful term. Collectively we can take the people of Pongola to greater heights.

I thank you.

EXECUTIVE SUMMARY FROM THE MUNICIPAL MANAGER

uPhongolo Local Municipality is established and operates in terms of Chapter 7 of the South African Constitution. Section 152(1) outlines various objects of local government and it is on these objects that this municipality governs and serves its community in a democratic manner.

Although all managers and employees are responsible for risk management in their own areas, the municipality has a Manco Risk committee to address this important task. The Manco Risk committee reports to the Audit Committee on a quarterly basis.

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. The positive results were experienced in this financial year as there was no instances of financial misconduct that were reported.

The municipality has developed an Audit Action Plan to address all issue and this emanates from matters reported by the Internal audit and the Auditor-General. The MPAC meets monthly as required and carries an oversight role and assists the Council by investigating all cases of irregularity.

The Fraud prevention strategy which was approved by the Council is being implemented and this will help reduce malpractices within uPhongolo municipality. We also have instituted an enterprise risk management framework which also includes the risk management policy.

On 3 June 2016, the Annual Risk assessment process was successfully completed with the assistance of KZN Provincial Treasury. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment process and the internal audit planning process are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

uPhongolo Local Municipality has five service departments, namely, the Municipal Manager's office, Finance Department, Technical department, Community Services Department and the Corporate Services department. These departments' positions have been filled and service delivery is expected to be of high, however, there still exists some vacancies. This somewhat cripples the municipality's functioning.

The Performance Management System (PMS) guiding document is the approved PMS framework and Policy which is aligned to the Planning and Performance Management Regulations including Appointment and Conditions of Employment of Senior Managers issued on the 17 January 2014.

The high level process cycle of the Performance Management System is designed to monitor the departmental performance regarding service delivery, municipal transformation, financial viability, good governance and cross-cutting interventions.

Service delivery highlights:

Electricity – Households with electricity for lighting were considered to be above minimum requirement as the 20 Amp is provided by Eskom. More electrification projects are being rolled-out on an annual basis and as such, the 18% is used as an indicator.

Refuse – Households with refuse being collected by the Municipality was considered to be above minimum standard as the standard collection is twice weekly for all households being provided by the service.

Sanitation- Households with access to Flush or chemical toilet and VIP toilets were considered to be above minimum standards. The sanitation function is provided by the District Municipality and the access of 70 % above minimum standard is as per the 2011 statistic. Sanitation projects are being implemented by the District.

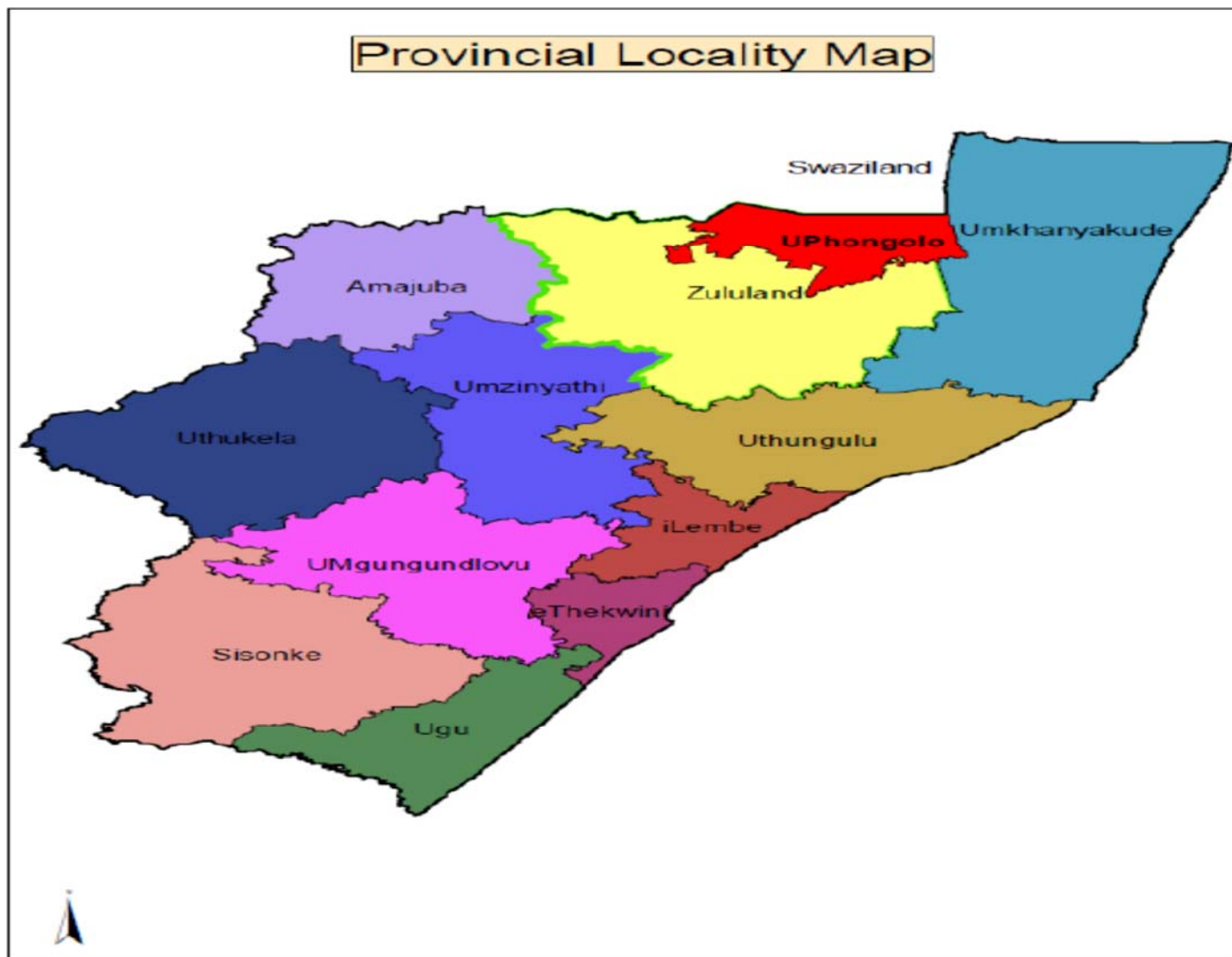
Water- Households with piped water in the yard and at a communal stand are considered to be above minimum standard and as such, 27% backlog was noted in the 2011 census information. This function is also being provided by the District Municipality.



Mr M M Ndlela
MUNICIPAL MANAGER

1.1 MUNICIPAL FUNCTION, POPULATION AND ENVIRONMENTAL OVERVIEW

Figure 1.0



The uPhongolo Local Municipality is one of the five local municipalities' located within the area of the Zululand District Municipality. The Municipality is governed by a Council consisting of 27 Councilors and an Executive Committee. The administrative functions are performed by the Municipal Manager, assisted by other S56 managers consisting of the Chief Financial Officer, Technical Services Manager, Corporate Services Manager and the Community services Manager.

The Municipality is located in KwaZulu-Natal in the Northern area of Zululand District Municipality (DC26). The Municipality consists of 14 wards and it has a geographical area of 3 239km².

DEMOGRAPHIC PROFILE

Table 1.2: Area Statistics

Indicator	uPhongolo Municipality
Area	3 239km ²
Population	127 238
Households	28 772
Number of settlements	104
Urban areas	1 town and 4 small urban settlements
Female	67510/53.06%
Male	59728/46.94%

Source: SA Stats 2011

Most of uPhongolo citizens (82%) reside in the rural areas. It is interesting to note that population has decreased dramatically from 149 543 (ZDM household survey 2008) to the current official statistics 2011 showing 127 238. The population experienced a total decrease of 22 305 (14.9%) when compared with ZDM survey results OF 2008.

Table 1.3: Life statistics

Indicator	Description	Value
Gender breakdown	Males	46.94%
	Females	53.1%
Age breakdown	0 -14	51.78%
	15 -64	43.93%
	65+	4.29%
Life expectancy	In 1998	65 years
	In 2011	48 years

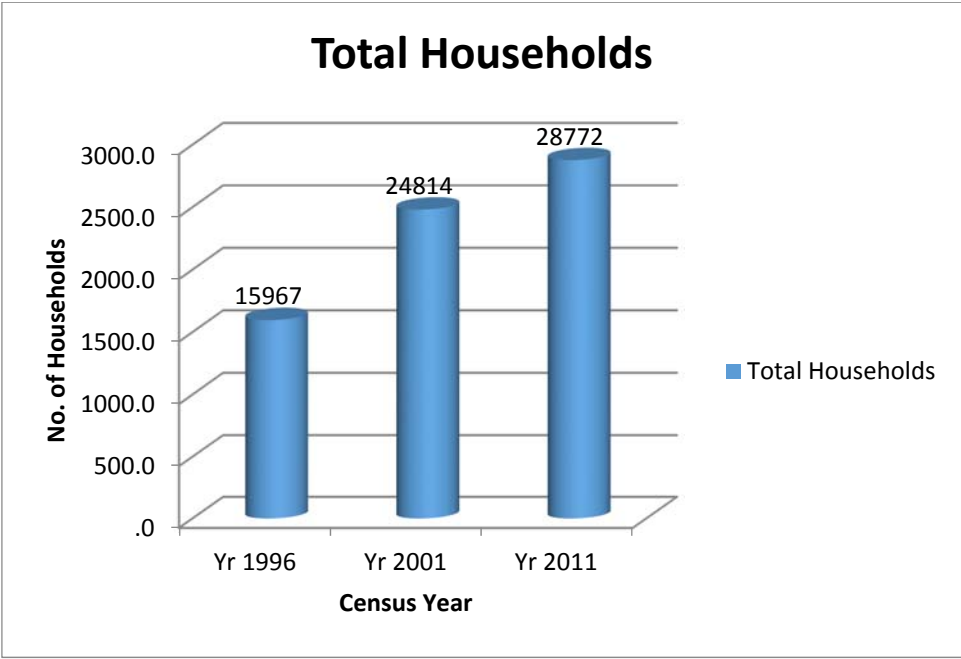
Age breakdown analysis shows a decrease of 12.47% in the 15 to 64 age group meaning that uPhongolo has become a breeding and training ground of the South African labor force were upon attaining qualifications and experience the working age group departs for greener pastures. As such major interventions through the provision of access roads, electricity and proper sanitation are required as our priority areas in the IDP will indicate. This kind of investment will bring development that can lure our citizens to stay and develop with us instead of migrating.

Population

	1996			2001			2011		
	Male	Female	Total	Male	Femal	Total	Male	Female	Total
0-4	6 751	6 868	13 619	7 663	8 038	15	8 838	8 962	17
10-14	7 273	7 373	14 646	8 266	8 097	1636	8 042	8 120	16 162
15-19	6 827	7 095	13 922	8 398	8 492	16	8 155	7 910	16
15-19	5 482	6 052	11 534	7 704	8 169	15	7 961	7 897	15 858
20-24	4 086	5 135	9 220	5 249	5 941	11 190	6 380	7 087	13 467
25-29	2 828	3 714	6 543	3 968	4 639	8 607	4 997	5 766	10 762
30-34	2 261	3 332	5 593	2 959	3 792	6 751	3 354	3 894	7 247
35-39	2 123	2 813	4 936	2 476	3 335	5 811	2 615	3 192	5 806
40-44	1 859	2 195	4 054	2 343	3 018	5 361	2 021	2 793	4 814
45-49	1 377	1 625	3 002	1 881	2 373	4 254	1 635	2 554	4 188
50-54	1 035	1 148	2 183	1 476	1 689	3 165	1 665	2 318	3 983
55-59	904	1 224	2 127	1 072	1 270	2 342	1 315	1 873	3 188
60-64	679	1 076	1 755	990	1 471	2 462	970	1 467	2 438
65-69	541	1 128	1 669	600	1 085	1 685	613	992	1 605
70-74	363	557	920	479	1 082	1 561	538	1 022	1 560
75-79	295	427	722	324	480	805	263	685	948
80-84	118	148	265	236	426	662	184	573	757
85+	84	155	239	94	205	298	182	406	588
Total	44 884	52 065	96 949	56 178	63 602	119	59 728	67 510	127

Source: Statistics SA

Census data



Municipal Functions

The Municipality's core object is to deliver the basic services in line with the legislation to improve the lives of the uPhongolo Community and its visitors. The community needs are identified through the public participation process of the Integrated Development Plan (IDP) which are then budgeted for and implemented.

The focus for the year was on the Electrification of areas without electricity, Construction and maintenance of roads, Provision of RDP Housing for the needy, solid waste removal, Job creation (local economic development) and Construction Community Hall, Sport fields and Crèches. See Annual Performance report for details of level of services provided for 15/16.

ECONOMY GROWTH

UPhongolo has 50 km² of sugarcane and subtropical fruit plantations surrounding it using drastic irrigation systems. The town of Pongola has thrived as a result of the canal system and a sugar mill that was built which together with the sugarcane plantations and government employment sustains the livelihood of the people of uPhongolo. The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and Richards Bay then Durban in the south. It also connects with Swaziland just to the north of the uPhongolo Municipal area. This is the primary development corridor in uPhongolo.

The Pongola area also has many tourist attractions including Game Farms and Lodges, the Pongolapoort Dam, famed for its Tiger Fishing and surrounding wildlife, cultural history and much more. The town of Pongola is wedged between the Swaziland border and the Pongola River and has all the modern facilities, Supermarkets, Hospital, Small Airport, 9 (hole) Golf Course, Tennis and Bowls. Pongola has an unparalleled selection of excellent game camps and lodges in which to spend the night. Around Pongolapoort Dam there are 10 lodges in the Pongola Game Reserve which has four of the Big 5.

The two main rivers in the municipality are the Mkuze River in the south and the (Pongola) River in the north, the latter feeding the Pongolapoort Dam, located on the eastern boundary of the municipality. Agriculture and tourism form the basis for the municipality's economy. Major development components consist of game and nature reserves, agricultural activities, traditional settlement areas and some urban nodes.

The public sector is the dominant provider of employment opportunities. However, the informal sector is expanding, primarily based on the taxi industry, informal financial services and taverns.

Average income levels are low, with 66% of households receiving no income or less than R2 400.00 per month. The traditional and rural areas are the most poverty stricken. Unemployment levels are relatively high; only 13.43% of the population is formally employed. Close to half of the population are children, placing pressure on the need for educational and social facilities. Many of these children are orphaned as a result of HIV/AIDS.

There is a clear sign that more and more young people are getting educated. In 2001 a total of 6757 people had Matric while in 2011 it increased to 15 703 (source-census 2011). This becomes a challenge for the municipality if there are limited places of work that will employ this generation. The district has since embarked on a journey to sensitise the business people on investment opportunities that the district offers. Further a database has been created registering all unemployed youths with the intention of providing them with internship positions to enhance their practical learning and increase their marketability. Further, we have started employing large numbers from all wards under the EPWP programme.

The Municipality has also embarked on several activities to speed up the growth of uPhongolo. This has been achieved by the investment in a flea market complex which has just been completed. This market is expected to benefit from the free flow of tourists visiting the many game reserves in the area, as well as encourage locals to be productive as there is a selling place for their products. There has also been a newly developed mall at uPhongolo which has since seen the attraction of other major retail chains into this growing town. These opportunities have not only increased job opportunities but also have increased the quality of lifestyle for the local citizens as they can now shop at the best shops in South Africa.

Looking into the future, growth in the agricultural sector is predicted to be relatively stagnant at 1.6 % on average for the period 2010-2015. Be that as it may, uPhongolo will see major structural developments in the near future as more and more retailers are establishing their mark on our map. As a municipality we aim to ease and facilitate this development by providing state of the art infrastructure. Growth in the manufacturing sector is predicted to be relatively stagnant at 2.5 % on average for the period 2010-2015. The municipality hopes to speed this up through training of small informal sector business to provide building blocks services, so they can take advantage of the current boom in the building section that is buffered nationally by the current low interest rates.

1.2 SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The Municipality has two basic services that it provides to the Pongola community, namely refuse removal and Electricity. Due to the low urban settlement area when compared to the Farm and Tribal settlement area, the refuse removal services is only provided to the urban settlement area. This effectively translates to 15% or 4378 of the Pongola households.

There is a great improvement in the electricity connection within the Pongola areas when compared to prior year. The majority of wards now have access to electricity with the exception of 2 wards which areas currently being connected. The town and surrounding residential areas are under the Municipal license area which makes up 1.2% of households with access to electricity. The rest of the connections are under the Eskom Licenses area with the total connection amounting to 98% of households with access to electricity.

1.3 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

Operating Costs	
Detail	R
Employee Cost	65 896 348
Repairs and Maintenance	6 389 942
Finance Costs	(570 283)

1.4 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1.	Finalise the 4th quarter Report for previous financial year	31 July 2016
2.	Submit draft Annual Report to Internal Audit	
3.	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	31 August 2016
4.	Mayor tables the unaudited Annual Report	
5.	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
6.	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
7.	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	1 September – 31 October 2016
8.	Municipality receives and start to address the Auditor General's comments	30 November 2016
9.	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
10.	Audited Annual Report is made public and representation is invited	
11.	Oversight Committee assesses Annual Report	
12.	Council adopts Draft Oversight report	30 December 2016
13.	Draft Oversight report is made public	
14.	Draft Oversight report is submitted to relevant provincial councils	
15.	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	25 January 2017
16.	Annual Report and Oversight report presented to Council for adoption	31 March 2017

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The key challenge that the municipality has is with the attraction and retention of the skill of senior management or S54/56, however, the municipality has managed to fill two (2) critical posts, namely, Director Corporate Services and the Municipal Manager.

The filling of vacancies has been prioritise to improve the vacancy rate while the staff cost effect on the overall OPEX is being monitored to ensure it does not exceed the ratio of 40% of OPEX.

1.6 AUDITOR GENERAL REPORT

The municipality has unfortunately received a qualified audit opinion as compared to the unqualified audit opinion in 2014/15 financial year.

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

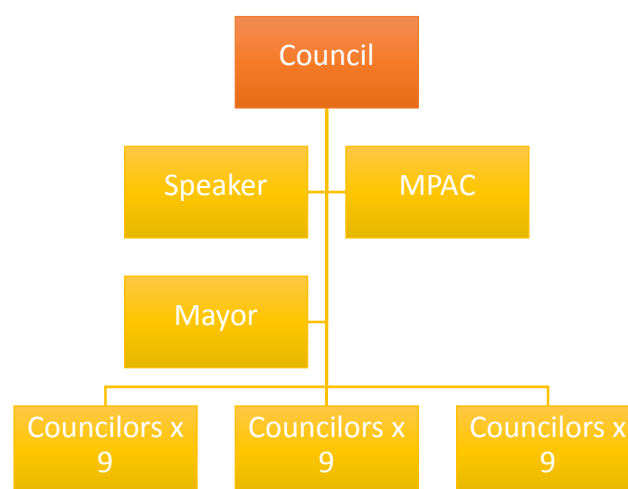
uPhongolo Municipality is one of the five (5) municipalities under Zululand District Municipality. The municipality has fourteen (14) wards and most are rural. The municipality has a Council of 27 Councillors. As part of ensuring accountability and clean administration four Portfolio Committees have been established in terms of section 80, of the Municipal Structures Act 117 of 1998.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Council play its oversight through established committees, which sit on monthly basis for a purpose of checking whether departments are able to implement resolutions which have been taken by Council.

2.1 POLITICAL GOVERNANCE

POLITICAL STRUCTURE



Municipal Councillors 2016



Honourable Mayor Cllr MM Hadebe, EXCO		Honourable Deputy Mayor Cllr JB Ngema, EXCO		Honourable Speaker Cllr HV Ngcamphalala (Ward 10), EXCO
Cllr FF Simelane, Ward 1	Cllr NJ Mkhwanazi, Ward 2	Cllr MJ Phakathi, Ward 3	Cllr EN Buthelezi, Ward 4, EXCO	Cllr MJ Dlamini, Ward 5
Cllr NP Mavuso, Ward 6	Cllr MP Khumalo, Ward 7	Cllr MC Nkumane, Ward 8	Cllr SR Simelane, Ward 9	Cllr ZL Nxumalo, Ward 11
Cllr MS Mntungwa, Ward 12	Cllr D Nyawo, Ward 13	Cllr NT Gumbi, Ward 14	Cllr KE Nxumalo, PR Councillor	Cllr NC Mavundla, PR Councillor
Cllr BC Nhlabathi, PR Councillor	Cllr B Mvelase, PR Councillor	Cllr NM Mkhwanazi, PR Councillor	Cllr MB Makhoba PR Councillor, EXCO	Cllr CV Simelane, PR Councillor

				
Cllr BH Nkosi, PR Councillor	Cllr AZ Thabede, PR Councillor, EXCO	Cllr JC Theron, PR Councillor	Cllr MM Mtungwa, PR Councillor	

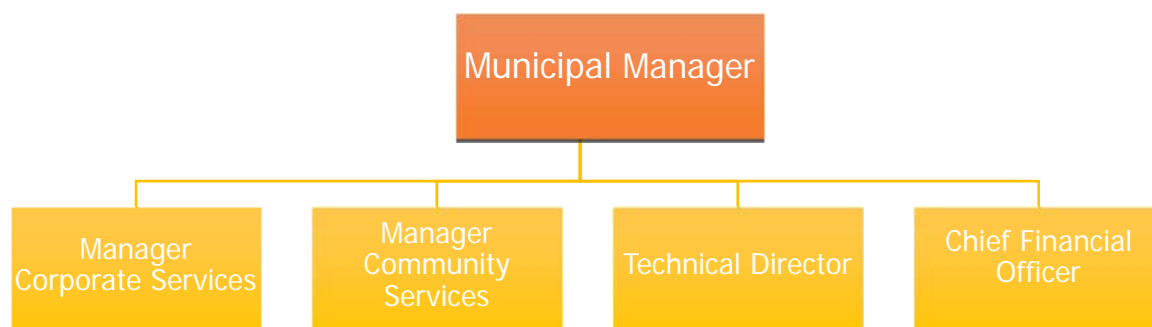
2.2 ADMINISTRATIVE GOVERNANCE

Senior Management Committee comprises of the following personnel;

Municipal Manager (Mr MM Ndlela), Chief Financial Officer (Mr R Mthethwa), Director Technical Services (Mr NFT Buthelezi), Director Corporate Services (Mr MW Nxumalo) and Director Community Services (Mr FS Msezane).

The Municipal Manager, Director Technical Services and Director Corporate Services were appointed in the year under review on the dates listed below:

Name	Position	Date of Appointment
Mr MM Ndlela	Municipal Manager	15 October 2015
Mr NFT Buthelezi	Director Technical Services	1 June 2016
Mr FS Msezane	Director Community Services	1 June 2016



COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATION

Municipality maintains healthy relations with all government entities. Most Government structures are always ready to assist when required. It must be mentioned that COGTA provides the most

valuable support to this Municipality through regular meetings; finance for certain projects, training of personnel and placements of critical personnel when necessary. It also engages with the district Municipality especially on sanitation and water services. It must be mentioned however, that we currently have a huge backlog in that particular department and we have initiated talks with the district municipality in order to resolve them.

The Municipality also works with different departments in co-ordinating izimbizo and service delivery. The Municipality looks forward to working with the department of education in its endeavours to build sport facilities that can be utilised towards racial integration, as well as the department of rural development to unlock the land potential for our growth in the near future.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

Despite the legislative imperative, local government is, by essence, obliged to maintain effective communication with the communities. Likewise, the communities have a responsibility to participate and be involved in the affairs of the municipality. At uPhongolo local Municipality, engagement with communities is ensured through the following structures and mechanisms:

- IDP and budget road shows
- Council meetings where we want to start including traditional leaders participation
- Mayoral Izimbizo
- Print media newsletters, letters and notices for tendering and appointments
- Electronic media, notably the website and the municipal video system
- Open door policy which allows communities that are disgruntled to walk in and lodge their complains with the relevant officials

Annual reports which are tabled before Council and copies are found on the website and distributed to communities.

2.5 IDP PARTICIPATION AND ALIGNMENT

The Municipal Manager has a delegated responsibility from the Mayor, to prepare the IDP for the Municipality. During the IDP review, the following key elements were addressed within the confines of the approved IDP Process Plan and Framework Plan:

- Comments were received from the various role-players in the assessment of the IDP Review documentation.
- Certain elements of the IDP were reviewed in terms of Council's new priorities, including the Spatial Development Framework.
- New information was included.
- The IDP was aligned with newly completed Sector Plans

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

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

Although all managers and employees are responsible for risk management in their own areas, the municipality has a Manco Risk committee to address this important task. The Manco Risk committee reports to the Audit Committee on a quarterly basis.

The Annual Risk assessment was successfully completed on the 3rd of June 2016 with the assistance of KZN Provincial Treasury Internal Audit Unit. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment process and the internal audit planning process are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

The municipality's risk assessment procedures resulted in the following top 5 risk being identified:

- RISK 01. BUSINESS PROCESS: BUILDING CONTROL
- RISK 02. FINANCIAL MANAGEMENT: BILLING AND COLLECTION
- RISK 03. ENVIRONMENTAL MANAGEMENT: WASTE MANAGEMENT
- RISK 04. STRATEGIC LEADERSHIP: INTEGRATED DEVELOPMENT PLANNING
- RISK 05. BUSINESS PROCESS: INTERGOVERNMENTAL RELATIONS

2.7 ANTI-CORRUPTION AND FRAUD

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. The positive results were experience in this financial year as there was no instances of financial misconduct that were reported.

One all other matters reported by Internal audit and the Auditor – General, the municipality has developed an Audit Action Plan to address all issue. MPAC is also meeting as required and carrying out an oversight role and assisting Council by investigating all cases referred to it.

The Audit Committee is also in-place which comprises of 3 members who are highly qualified and all of them are external. The committee met seven times in this financial year.

The developed the Fraud prevention strategy was approved by Council and is being implemented. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The strategy involves;

- Surprise audits by the internal audit unit
- Post transactions review
- Forensic data analysis performed by the KZN forensic services were necessary
- Management Accounting report review
- Annual Fraud Risk Assessment

2.8 SUPPLY CHAIN MANAGEMENT

The Municipal supply chain section is now headed by the SCM Manager with proper experience. This is an improvement as the post of the SCM Manager was vacant for more than a year.

The SCM policy is being used to comply with the MFMA s112 requirement and is reviewed yearly with the last review having being done on the 29 March 2016 and adopted by Council on the said date.

The major challenge noted in implementing the principles of s112 of the MFMA is the lack of early detection system of persons who are employees of government institutions which results in Auditor General Findings.

Due to the geographic location of the Municipality and the economic condition of uPhongolo, there is a low selection base of suppliers which has cause the municipality to have large deviations due to sole suppliers of services or goods in the area.

No major long term contract exist other than the SITA contract to print Billing Statement on behalf of the Municipality. This contract expires on the 31st March 2018.

2.9 WEBSITE

Section 75 of the MFMA enlists the type of documents that should be posted on the municipal website, namely:

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	
All current budget-related policies	Yes	
The previous annual report (2014/2015)	Yes	
The annual report (2015/2016) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2015/2016) and resulting scorecards	Yes	
All service delivery agreements (2015/2016)	-	N/A
All long-term borrowing contracts (2015/2016)	Yes	
All supply chain management contracts above a prescribed value (R 200 000 value) for 2015/2016	yes	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2014/2015	-	N/A
Contracts agreed in Year 2015/2016 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	-	N/A
Public-private partnership agreements referred to in section 120 made in 2015/2016	-	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2015/2016	Yes	

uPhongolo Municipality regularly updates the website with all relevant information to improve the stakeholder's access to information also to give effect to the requirement of section 75 of the MFMA.

The public can access all the prescribed documents on the Municipal's official website: www.uphongolooline.gov.za . All the municipal libraries have being fitted with public computers with internet access to make it easy for the public to have access the Municipal information. The Municipality has also developed a new website where the public may also access all prescribed documents. The new website is: www.uphongolomunicipality.org.za .

2.10 MUNICIPAL OVERSIGHT COMMITTEES

All the oversight committees are in place and met regularly as per their scheduling. These are MPAC, Manco Risk Committee, and Audit Committee.

CHAPTER 3 – SERVICES DELIVERY PERFORMANCE

INTRODUCTION

uPhongolo Local Municipality has five service departments namely the Municipal Manager's office, Finance Department, Technical department, Community Services Department and the Corporate Services department. This chapter will focus on service delivered on a service-by-service basis. The Corporate services section will be dealt with in more detail in chapter 4 while more details on the financial performance will be attended to in chapter 5.

The methodology applied here will be tracing the IDP objectives by key performance areas (community needs and resource deployment) for 2015/2016 from vote all the way through to current status highlighting performance attained on those objectives.

3.1 ANNUAL PERFORMANCE INFORMATION

Introduction

The municipal performance management system a tool legislated to assist in implementing the IDP of the Municipality and the annual budget (operational and Capital). It is essentially a summary of all the needs of the community and organisation as well as other compliance requirements for the year under review which have been prioritised.

The Municipal Finance Management Act defines the Services Delivery and Budget Implementation plan (SDBIP) as the including the following components.

- a) projections for each month of: -
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure by, vote
- b) service delivery targets and performance indicators for each quarter; and
- c) any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c).

This Annual Performance Report therefore prepared in terms of Section 46 of the Municipal Systems Act and it seeks to report on the implementation of the SDBIP or the IDP priorities for the year under review.

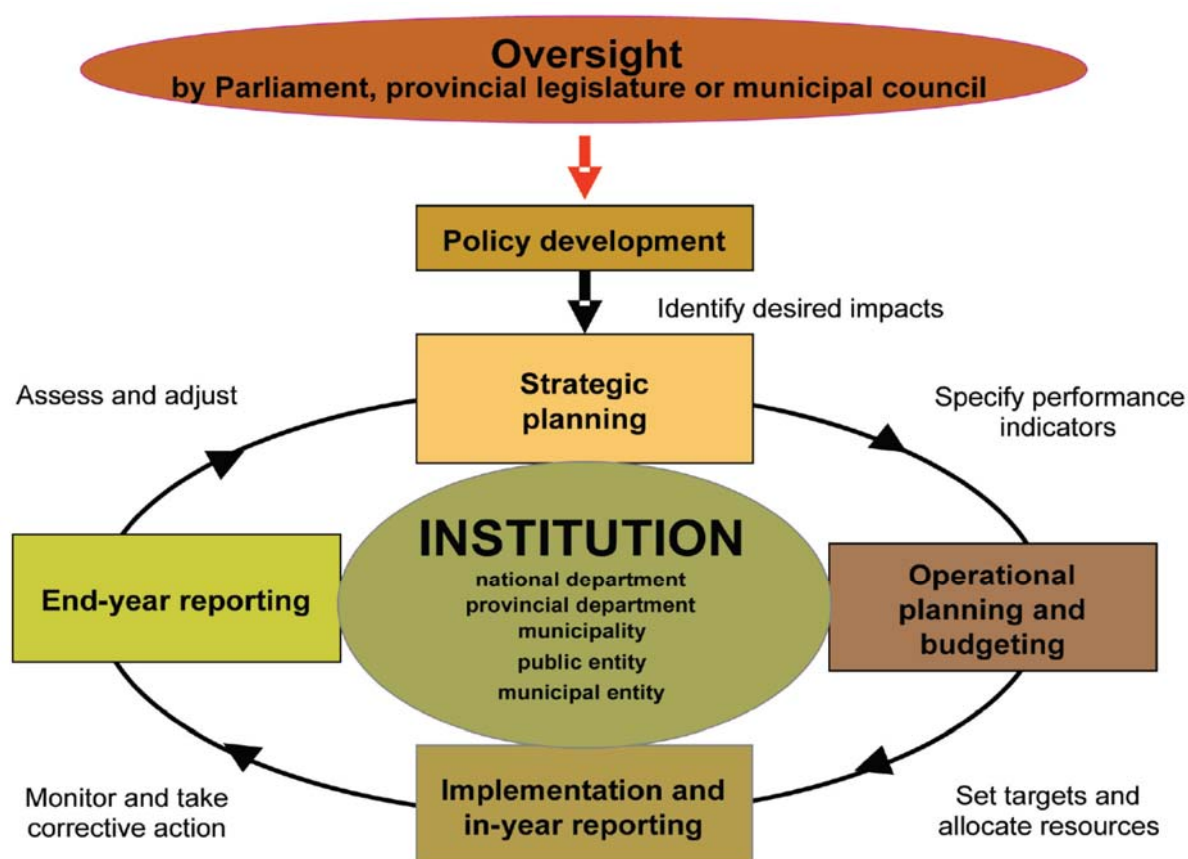
Summary

The summary presented, shows the high level of the achievement of performance measures included in the IDP for 2015/2016. These priority measures constitute the Municipal Scorecard for the 2015/2016 financial year starting from 01 July 2015 and ending on the 30 June 2016.

Performance Management Process

The guiding document in the Performance Management System (PMS) process is the approved PMS framework and Policy which are aligned to the Planning and Performance Management Regulations including Appointment and Conditions of Employment of Senior Managers issued on the 17 January 2014.

The high level process cycle of the Performance Management System can be summarised in a form of the diagram below:



The Municipality has a PMS unit which acts as the support structure for the 5 Departments (Municipal Manager's office, Budget and Treasury Unit, Technical Services, Corporate Services and Community Services) by collecting, verifying, and reporting on their performance against targets prior to sending the performance report to Internal Audit section to be audited.

Performance Report are prepared and audited on the quarterly basis and the Annual Performance report is audited by the Auditor General as part of their year-end audit.

Performance and Supporting Information

The Municipal Scorecard (**Appendix 1**) approach reflects the 6 National Key Performance Areas (KPA) and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on the measures included in the Municipal Scorecard.

The performance targets were approved by Council on the 30th of March 2015 as the first draft and as final version on the 29th of June 2015

During the year, the performance targets were revised as part of the Mid-year reviewed and all such changes to the performance targets were approved by Council on the meeting held on the 25th of February 2016.

The traffic light system used in the report of performance is as follows:

Blue – Performance above expectation – (dates targets excluded)

Green – Performance target meet

Amber – Performance target below (50% of target achieved)

Red - Performance target below (less than 50% of target an achieved)

KEY PERFORMANCE AREA 1: Municipal Institutional Development and Transformation

The overall score for this KPA is 50% for the year under review. The greatest contributor to this KPA is the Corporate Services Department as this KPA deals with Human Resource indicators, Performance Management indicators and IDP indicators.

This KPA had an overall achieved of 52% in the previous financial year, this shows a 2% drop in the number of indicators that were achieved.

KPI Status	Municipal Transformation
Target Exceeded	6
Target Met (as planned)	5
Target Not Met (with 50% progress)	3
Target Not Met (with less than 50% progress)	8
Total	22
% Targets met	50%
% Targets not met	50%

Performance Highlights for the 2015/2016

More employees and Councillors were trained than originally targeted as per the Work Skills Plan.

The appointment during the year also improved the Employment Equity Targets of the Municipality. The post of Director Corporate Service was filled in June 2016 which also improved operations within the Corporate Services department.

Challenges

There is still a major challenge in the cascading of PMS to the lower levels. It is also taking the municipality more than 3 months to finalise appointments of vacant posts.

Measures taken to improve Performance

Director Corporate Services has been appointed and key challenges have been identified and necessary actions will be taken to improve performance.

KEY PERFORMANCE AREA 2: Basic Service Delivery

The overall score for this KPA is 24% for the year under review which is below the expectation. This KPA deals with the development of community infrastructure as approved in the Annual Capital Budget. Due to processes involved in the construction environment, projects tend to overlap into more than one financial year.

The KPA had 46% achievement in the prior year. This indicates a regression in the department performance which could be attributable to the vacancy in the post of the Director Technical Service for the majority of the 15/16 financial year.

KPI Status	Basic Services
Target Exceeded	6
Target Met (as planned)	1
Target Not Met (with 50% progress)	5
Target Not Met (with less than 50% progress)	17
Total	29
% Targets met	24%
% Targets not met	76%

Performance Highlights for the 2015/2016

More households now have access to electricity as ward 1 electrification is in progress with 491 houses to benefit and ward 5 connections were completed with 450 houses having electricity.

Continuous improvement in the collection of refuse is also noted within the reachable areas of uPhongolo

Challenges

The municipality relies more on contractors and consultants in delivering the project and where the said service provider's performance is poor, the whole project gets delayed.

The vacancy in the post of the Director Technical Services from July to May contributed negatively on the performance of the department.

Insufficient tools and man power also contributes to the lower than expected performance within this KPA.

Measures taken to improve Performance

The Capital Budget was approved which caters for more tools to maintain access roads to the acceptable standards.

The Human Resource Plan was developed and it prioritised posts within the service departments like Roads and Storm water.

KEY PERFORMANCE AREA 3: Local Economic Development

The overall score for the Local Economic Development KPA is at 60%. This is an improvement of 10% in the overall performance when comparing to the prior year.

KPI Status	Local Economic Development
Target Exceeded	5
Target Met (as planned)	4
Target Not Met (with 50% progress)	4
Target Not Met (with less than 50% progress)	2
Total	15
% Targets met	60%
% Targets not met	40%

Performance Highlights for the 2015/2016

More jobs were created under the EPWP, CWP and other labour intensive capital project. 535 jobs under EPWP, 1023 jobs under CWP and 380 jobs under labour intensive capital project which is an improvement from the last financial year.

Challenges

The national target for EPWP was not all achieved as 76% of the youth was employed instead of 90%.

Measures taken to improve Performance

More youth will be employed under the EPWP programme in the 2016/2017 financial year.

KEY PERFORMANCE AREA 4: Municipal Financial Viability and Management

The overall score for this KPA is 50%. This indicates an improvement of 6% in the performance as the prior year had an overall achievement of 44%.

KPI Status	Financial Viability
Target Exceeded	2
Target Met (as planned)	7
Target Not Met (with 50% progress)	3
Target Not Met (with less than 50% progress)	6
Total	18
% Targets met	50%
% Targets not met	50%

Performance Highlights for the 2015/2016

The revenue 2015/2016 showed an 18% growth.

The Operational Budget expenditure also stood at 99% for 2014/2015

Staff cost was also contained with the acceptable threshold of 40%

Challenges

Revenue enhancement strategy not finalised and approved

Low capital expenditure as it was at 77% by 30 June 2016

High debtor's day as it was at 298 days by 30 June 2016.

Measures taken to improve Performance

Debtor collectors appointed and to be monitored on a regular basis

To finalise and implement the revenue enhancement strategy in order to improve the revenue generation and collection.

KEY PERFORMANCE AREA 5: Good Governance and Public Participation

The overall score is 55%. This KPA indicates a drop by 10% in the over-all performance when comparing to the prior year.

KPI Status	Good Governance
Target Exceeded	2
Target Met (as planned)	9
Target Not Met (with 50% progress)	3
Target Not Met (with less than 50% progress)	6
Total	20
% Targets met	55%
% Targets not met	45%

Performance Highlights for the 2015/2016

Ward committees fully functioning in all 14 wards

community meetings conducted by the ward Councillor exceeds the quarterly projections.

The Municipality was recognised by Cogta in a form of an award for the best municipality which implemented the Sukuma Sakhe programme

The second award was for the Best Public Participation program

Challenges

The finalising of agenda items and distribution within 3 working days was below target due to late submission by departments. Schedule of Council meetings was not adhered to as only 5 meetings were held for the year instead of 7.

Measures taken to improve Performance

Manco meetings to be scheduled on a regular basis in order to monitor performance and other compliance requirements.

KEY PERFORMANCE AREA 6: Cross-Cutting Interventions

The KPA had a score of 53% which is an improvement of 3% from the last financial year performance.

KPI Status	Cross Cutting
Target Exceeded	6
Target Met (as planned)	3
Target Not Met (with 50% progress)	1
Target Not Met (with less than 50% progress)	7
Total	17
% Targets met	53%
% Targets not met	47%

Performance Highlights for the 2015/2016

More special programmes for the Youth, Children, Women, Disable people and elderly people were done during the year in excess to the targets.

Roads safety campaigns were also conducted in excess of the planned for the year.

Challenges

Process to implement SPLUMA not at the required level due to the non-existing post of the Development and Planning Head of Department.

Measures taken to improve Performance

Organisational Structure to cater for the Development and Planning Head of Department

NO.	NATIONAL KEY PERFORMANCE AREA	Development Goal	STRATEGIC OBJECTIVE	IDP REF.	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	Demand	Baseline	Backlog	2014/2015 Target	2014/2015 Actual	2015/2016 Target	2015/2016 Actual	Achieved/Not achieved	Measures to be taken to improve performance
Org 1	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To increase employee capacity by a minimum of 10% each year.	Create a balance between employee productivity, welfare and capacity building	A1.1	Develop and Implement a Work Skills Plan	Prepare and submit a WSP	Date the Work Skills Plan submitted	Date	30-Apr			30-Apr	29-Apr	30-Apr	29-Apr	Achieved	
Org 2						Training and development of staff	Number of staff who attended training against Skills development plan	Number	All employees	40		100	125	120	170	achieved	
Org 3						Training and development of Cllrs	Number of Cllrs who attended training (NQF rated) against the Skills development plan	Number	All Cllrs	27		-	-	24	36	achieved	
Org 4				A1.4	Monitor all incumbents to ensure that they comply with their current position's minimum requirements	Implement the Employee wellness Program	Number of Employee wellness programmes/events held	Number	2			2	1	4	3	Not achieved	To budget accordingly in the new financial year
Org 5			Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year	PMS policy and framework reviewed and adopted by council	Date PMS policy Reviewed and adopted	Date	30-Jun			30-Jun	03-Jul	30-Jun	PMS Policy not adopted	Not achieved	To be adopted by the new Council in the new financial year
Org 6						Overall organisation performance monitored and recorded.	Number of Organisational performance reports submitted to Council (Council Agenda)	Number	4			4	4	4	4	Achieved	
Org 7						Performance audit committee meeting quarterly.	Number of Performance Audit committee meetings held	Number	4			4	4	4	4	Achieved	
Org 8						Cascade PMS to lower levels	Date performance targets for middle management finalised and aligned to job descriptions	Date	31-Jul			30-Jun	-	31-Jul	Not done	Not achieved	To be done in the next financial year
Org 9						Section 54/ 56 Managers	Date section 54/56 contracts signed	Date	31-Jul			-	-	31-Jul	30-Jul	Achieved	

					Performance Contracts and agreements signed and aligned to IDP.	(current appointments only)											
Org 10			To provide an effective and efficient IT and Communication service to all	A3.1	Safely provide access to email and internet to improve efficiency in operations.	Development & Review of an ICT Master Systems Plan.	Review & adopted I.T. Security Policy	Date	30-Mar			-	-	30-Mar	Not done	Not achieved	To be done in the next financial year
Org 11					ICT Steering committee.	Number of ICT steering committee meetings held	Number				-	-	4	2	Not Achieved	Director Corporate Services to prioritise ICT steering Committee meeting in the 16/17 Financial year	
Org 12			To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile	A4.1	Apply previously disadvantaged people concepts to address the demographic gaps and past injustices	Employment equity plan adopted and implementation	No. of women appointed in S54/56 posts	Number	1			1	1	1	0	Not achieved	To review and implement the Employment equity Plan
Org 13						Employment equity plan adopted and implementation	% of African employed	%	40%			40%	97%	40%	97,37	Achieved	
Org 14							% of Indian/Asian employed	%	0,10%			0,10%	0,4%	0,10%	0,37	Achieved	
Org 15							% of Whites employed	%	0,50%			0,50%	3%	0,5%	2,25	Achieved	
Org 16							% of Females employed	%	50%			50%	41%	50%	42,07	Not achieved	NOT ALL THE VACANT POSTS HAS BEEN FILLED, WILL PRIORITISE ACCORDINGLY
Org 17						% of employees with Disability	%	2%			2%	1%	2%	0,75	Not achieved	VACANT POSTS WILL TAKE PRIORITY IN FILLING THEM WITH DISABLED PEOPLE	
Org 18						A4.4	All critical posts to be filled within 3 months	Organogram reviewed and adopted by councils	Date organogram reviewed	Date	30-Jun			30-Jun	-	30-Jun	N/A
Org 19			Selection and appointment done timeously	Average turn-around time to finalise the appointment (Advertisement to Appointment)	Number in days			>90 days			>90 days	159 days	>90 days	203	Not achieved	MANCO WILL BE WORKSHOPED ON THE RECRUITMENT POLICY	

Org 20			To develop and implement a credible third generation IDP	A5.1	Co-ordinate the municipal planning with all stakeholders.	Development and implementation of the IDP process plan.	Date IDP process plan adopted by Council	Date	31-Aug				31-Aug	28-Oct	31-Aug	11 sep	Not achieved	New Council to be workshopped on the IDP processes		
Org 21						DP noted and adopted by Council before 31/03 and 30/05 respectively	Date IDP submitted to Council for approval	Date adopted	30-May			30-May	03-Jul	30-May	30-May	Achieved				
Org 22						Organisation strategic planning sessions held to revise IDP inputs, policies and organisation goals.	Number of Strategic Planning sessions held	Number	1			6	2	1	1	Achieved				
Org 23	BASIC SERVICE DELIVERY & INFRASTRUCTURE	To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean, habitable, safe and healthy. Accessible and well maintained road infrastructure	Ensure provision of Electricity/alternative energy in a	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Pongola.	Households having access to basic electricity increased annually (Eskom license area + Municipal license area)	Number (and percentage) of existing consumer units with access to electricity	Number	28772	15936	12836	16490	23518	21873	24459	Achieved				
Org 24								%	100%	55%	45%	57,3%	82,0%	76,00%	85%	Achieved				
Org 25								Number (and percentage) of new consumer units with access to electricity	Number	28772	810	9236	554	607	922	491	Not achieved	To apply to DOE and Cogta for additional funding to cover the remaining areas		
Org 26								%	100%	68%	32%	1,2%	2,10%	3,20%	1,71%	Not achieved				
Org 27			To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	Improve access to refuse Removal	Number (and percentage) of existing consumer units with access to refuse removal at least once per week	Number	28 772	3918	24 854	4114	4378	4114	4365	Achieved				
Org 28								%	100%	14%	86%	14,3%	15,2%	14%	15,20%	Achieved				
Org 29								Number (and percentage) of new consumer units with access to refuse removal at least once per week	Number	28 772	3918	24 854	200	772	200	13	Not achieved	To acquire a new compactor Truck to service additional areas		
Org 30								%	100%	14%	86%	4,9%	17,6%	4.9	0,4%	Not achieved				
Org 31							B3.4	Develop & implement local waste plan	Local waste plan developed/ reviewed	Date Local Waste Plan developed	Date	30-Sep			30-Sep	30-Jun	30 Sep	15-Dec	Achieved	
Org 32									Report on progress on Local Waste Plan	Date the report on Implementation of Local Waste plan presented	Date	30-Jun			-	-	30-Jun	Not done	Not achieved	To appoint service provider for the preparation of the Local waste plan

Org 33			Ensure provision of Electricity/Alternative energy	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Pongola.	Provision of Free Basic services	Approved Indigent Register	Date	01-Jul			01-Jul	-	30-Sep	Not done	Not achieved	To perform community visit and register new indigent people
Org 34							Number of households with access to free basic electricity	Number	All Indigent residents	3000		3500	2100(ave)	3000	1993(ave)	Not achieved	To finalise the Indigent Register
Org 35								%	100%	10%		12%	7,3%	10,0%	6,9%	Not achieved	
Org 36	BASIC SERVICE DELIVERY & INFRASTRUCTURE		To provide safe, adequate and habitable housing that is closer to amenities	B4.2	Expedite housing project implementation through improved intergovernmental relations with the Department of Human Settlements	Improve access to adequate shelter	Date Housing Sector Plan approved	Date	30-Jun			31-Jan	-	30-Jun	Housing sector plan to be reviewed	Not achieved	Will be reviewed in the new financial year
Org 37							Date Land audit completed	Date	30-Jun			-	-	31-Mar	In progress	Not achieved	To finalise the Land audit
Org 38							Number of new housing units constructed and completed	Number	28772	22836	5936	500	194	350	308	Not achieved	To monitor housing construction on a daily basis
Org 39				B4.1	Acquire land that is currently owned by farms surrounding the CBD for development	Develop new residential sites	Number of sites/stands serviced with electricity	Number	145			145	0	145	0	Not achieved	To budget for the electrification of undeveloped land/stands
Org 40						Identify and acquire land for development	Date Acquisition of land has been approved by all parties	Date	30-Jun			30-Jun	-	30-Jun	Not done	Not achieved	To enter into negotiations with land owners for the acquisition of the land
Org 41			To make all communities in uPhongolo accessible through the provision and maintenance of basic services by	B2.1	Implement access roads and storm water drains development and maintenance as per master plan	Improve accessibility in rural areas	Number (in Kilometres) of new gravel access roads constructed	km	All wards without access roads	16		9km	29km	8km	3,7	Not achieved	To improve the SCM process in appointing service providers
Org 42						upgrade roads to black top	Number (in Kilometres) of municipal roads (Gravel) upgraded to black top	km	All gravel roads	3,1		3.1km	1.64km	2km	0,752	Not achieved	To monitor project closely and implement SLA terms and conditions on low performing service providers
Org 43						Repairs to potholes per plan and complains	m2 of repairs to potholes on urban tarred road	m2	All			800m2	3065m2	800m2	1726,46	Achieved	

Org 44		BASIC SERVICE DELIVERY & INFRASTRUCTURE	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities		and tarred surfaces in rural, urban and township as per maintenance plan	Tarred roads maintained as per maintenance plan.	Km of tarred roads maintained	km	43			32.6km	2.09km	8km	4.1km	Not achieved	To improve the SCM process in appointing service providers
Org 45						All municipal gravel roads maintained as per plan.	Number (in Kilometres) of gravel road bladded	km	1600	960		1008km	447km	200km	113	Not achieved	To acquire a new grader and yellow machinery to met the demand
Org 46				B2.2	Clear all verge in storm water drains in CBD and township through EPWP	Storm water drains and verges maintained monthly.	m2 of Storm water drains maintained	m2	All	18000		18000m2	9701m2	12000m2	34112	Achieved	
Org 47			Public Facilities	B5.2	Equitably provide sporting facilities and community halls on the one ward one hall; one ward one sporting field principles	Construction of new community halls	Number of community halls constructed & completed - ward 11 & 14	Number	14 (1 per ward)	3	11	3	0	2	0	Not achieved	To monitor projects closely and implement SLA terms and conditions on low performing service providers
Org 48						Construction of new pre-schools/crèches	Number of pre-schools/crèches constructed & completed - Ward 3, 9, 10 & 13	Number		3		1	3	4	0	Not achieved	To monitor projects closely and implement SLA terms and conditions on low performing service providers
Org 49						Construction of new sport facilities	Number of sports facilities completed - Ward 8, 9, 12	Number		3		2	1	3	0	Not achieved	To monitor projects closely and implement SLA terms and conditions on low performing service providers
Org 50						Implement projects and monitor progress throughout	% of capital projects completed on time	%	100%			-	-	100%	0%	Not achieved	To monitor projects closely and implement SLA terms and conditions on low performing service providers

Org 51							% of capital projects started on time (current year projects only-cumulatively)	%	100%			-	-	100%	0%	Not achieved	To monitor projects closely and implement SLA terms and conditions on low performing service providers
Org 52	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Creation of temporary and permanent sustainable jobs	C 3.1	Create employment opportunities through labour intensive schemes	Jobs created through EPWP	Total number of jobs created and sustained for the year	Number		150		60	75	120	138	Achieved	
Org 53							% of Youth employed	%				90%	75%	90%	76%	Not achieved	To appoint new EPWP staff for the 16/17 financial year that will meet the requirement of the EPWP program
Org 54							% of Women employed	%				50%	44%	50%	41%	Not achieved	
Org 55							% of Disabled employed	%				2%	1%	2%	1%	Not achieved	
Org 56						Jobs created through CWP	Number of Jobs Created Through CWP (cumulatively)	Number				1300	1048	900	1023	Achieved	
Org 57						Jobs created through LED initiatives incl Capital Projects	Number of Jobs Created Through LED Initiatives incl Capital Projects (cumulatively)	Number		213		200	155(ave)	235	380	Achieved	
Org 58				C 3.2	Formalization and training of cooperatives	Support of local businesses	Number of Co-ops members and SMME's employees/owners trained	Number		370		450	439	300	595	Achieved	
Org 59						LED Seminars and summits.	Number of business seminars and summits coordinated	Number	2			2	3	4	4	Achieved	
Org 60			Create a conducive environment for	C 1.1	Investigate hydro-electricity generation	Conduct phisibility study on clean energy generation at Pongolapoort dam	Date the phisibility study is completed for clean energy generation at Pongolapoort dam.	Date	30-Jun			30-Jun	-	30-Jun	Not done	Not achieved	To request final report from the Department of Water Affairs on acceptable water levels to generate energy

Org 61			Increase the number of visitors to uPhongolo through integrated and targeted marketing	C2.1	Develop and revive tourism hubs and zones within uPhongolo	Development of LED infrastructure projects – Cogta funded	Number of planned LED infrastructure projects completed – Cogta funded	Number				3	2	2	2	Achieved	
Org 62						Develop more tourist attractions hubs/sites	Number of physibility study/business plans/project plans made for future tourist sites.	Number				3	3	2	2	Achieved	
Org 63	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Increase agricultural productivity	C2.2	Tourism promotion and facilitation	Develop/Review LED strategy	Date LED Strategy Reviewed & (aligned with the PGDS, EPWP & CWP) adopted	Date	30-Jun			30-Aug	28-Nov	30-Jun	Under Implementation	Not achieved	To review the LED Strategy in the 16/17 Financial year
Org 64						Develop/Review Tourism strategy and align to District	Date Tourism strategy developed/reviewed	Date	30-Jun			30-Aug	28-Nov	30-Jun	Not done	Not achieved	To review the Tourism Strategy in the 16/17 Financial year.
Org 65			Increase agricultural productivity	C4.1	Drive Pongola tribal lands towards being South Africa's food basket using cooperatives and subsistence farming	Assist the establishment small scale farmer in Tribal land	Number of small scale farmers assisted to start producing	Number	14			14	26	14	25	Achieved	
Org 66				C4.2	Develop and sustain agro-processing and sugarcane and vegetable production capabilities(SA next food security base through sustained investments in short crops, citrus farming etc)	Develop a Comprehensive agricultural plan	Date the Comprehensive agricultural plan projects implemented (projects from plan started)	Date	30-Jun			31-Mar	Dec	Dec	March	Achieved	
Org 67	GOOD GOVERNANCE	A people centered approach	Promote good governance	E1.1	Promotion of effective, timeous, and	Public participation Meetings held quarterly per ward.	Number of community meetings	Number	56			56	156	56	149	Achieved	

Org 68	GOOD GOVERNANCE	A people centered democracy that is	Placing the primary focus on addressing		efficient communication with both internal and external stakeholders	Improve internal communication	Number of MANCO meeting held	Number	12			11	6	25	8	Not achieved	MM to ensure MANCO sits accordingly
Org 69				E 1.2	Monitor and improve internal Control & risk management processes	Approved and implemented Audit plan	Date Audit plan (2016/2017) approved	Date	30-Jun			30-Jun	26-Jun	30-Jun	23-Jun	Achieved	
Org 70							Date Audit plan implemented (2015/2016) (first assignment executed)	Date	30-Jul			30-Jul	30-Jul	30-Jul	06-Jul-15	Achieved	
Org 71							% Audit plan Implemented or achieved	%	100%			100%	91%	100%	100%	Achieved	
Org 72						Anti-corruption strategy adopted by council	Date Anti-corruption Strategies developed/Reviewed	Date	30-Jun			30-Jun	28-Nov	30-Jun	Ati-corruption strategy developed but was not adopted by Council	Not achieved	To be adopted by the New Council in the new financial year
Org 73						Anti-corruption strategy implemented	% reduction in the number of fraud cases year-on-year	%	-50%			-50%	67%	-50%	N/A	Not achieved	Anti corruption strategy to be adopted by the New Council in the new financial year
Org 74						Conduct Annual Risk Assessment	Number of Annual Risk Assessments done (Operational, fraud and IT)	Number	1			1	1	1	1	Achieved	
Org 75						To achieve and maintain a clean audit.	Type of audit opinion received - clean audit - best, unqualified - acceptable) Prior year AFS	Date	unqualified			Clean	Unqualified	Clean/unqualified	Unqualified	Achieved	
Org 76						Monitoring of AG and Internal audit Action plan	Number of progress report on AG and Internal Audit Action Plan	Number	12			8	4	8	5	Not achieved	To improve the sitting of MANCO meeting
Org 77				E 2.1	Strengthening of oversight structures of council to ensure full functionality	Reports by MPAC	Number of MPAC reports submitted to council	Number				12	7	12	5	Not achieved	New MPAC committee to be formed and workshopped
Org 78						Tracking and monitoring of Full	Number of report/updates to Council on Full Council	Number	4					4	0	Not achieved	Resolution register will be updated in the

						Council and Exco Resolutions.	resolutions implemented										new financial year
Org 79						Development and implementation of the Council Calendar of meetings	Number of Full Council meetings actually held	Number	7			7	11	7	5	Not achieved	Meetings to sit accordingly in the new financial year
Org 80						Provision of secretariat support services to Council meetings.	% of agenda distributed at least 3 working days before a Committee Ordinary Meeting	%	100%			100%	51%	100%	49%	Not achieved	Reminders to be sent for all scheduled meetings a week before the meeting
Org 81					E 2.2	Ward committees supported and capacitated to ensure functionality	All work to have a ward committee	Number	14	14		14	14	14	14	Achieved	
Org 82							Monthly ward committee meeting	Number	168			168	168	168	168	Achieved	
Org 83							All Ward committee members attending meetings	%	90%			90%	97%	90,0%	96%	Achieved	
Org 84	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	A people centered democracy that is transparent and responsive to the needs of its people	Report regularly on the dealings of the Municipality		E 3.1	Publish and distribute quarterly newsletters & Annual Reports to inform communities on progress and essential information	To ensure compilation and distribution of municipal newsletters	Number	4			4	4	4	4	Achieved	
Org 85							Preparation, approval and publication of Annual Report done on time.	Date	31 Jan & 31 March			31 Jan tabled and 31 March approved	28 Feb tabled 30 March approved	31 Jan and 31 March	30-Mar-16	Achieved	
Org 86					E 3.5	Use the websites as a reporting platform	Uploading of all the necessary documents onto the Municipality's web-site	%	100%			100%	100%	100%	76%	Not achieved	To appoint in-house ICT technician
Org 87	FINANCIAL VIABILITY AND FINANCIAL	Ensure the Municipality remains	To apply good financial	D1.1	Develop and implement measures to expand revenue base and generation.	Improve the Revenue Growth (%)	% Revenue Growth - (Period under review's Total Revenue - previous period's Total Revenue)/ previous period's Total Revenue) x 100	%	CPI			7%	24%	17%	17,00%	Achieved	

Org 88						Improve the Revenue Growth (%) - Excluding capital grants	% Revenue Growth Excluding capital grants - (Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100	%	CPI			7%	19%	20%	20,00%	Achieved	
Org 89						Revenue enhancement strategy developed/reviewed and adopted	Date Revenue enhancement strategy adopted	Date	31-Dec			31-Dec	Draft revenue enhancement strategy	31-Dec	Not done	Not achieved	To present the final revenue enhancement strategy to Council for adoption
Org 90	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	D1.2	To control and account for all Municipal expenditure	Reduce Irregular, Fruitless and Wasteful and Unauthorised Expenditure (I, F &W, U E)	% I, F &W, U Expenditure incurred - (Irregular, Fruitless and Unauthorised Expenditure) / Total Operating Expenditure x100	%	0%			0%	22%	0,0%	21,00%	Not achieved	To Implement Msco and improve budgeting on all items
Org 91						Monitor Capital Expenditure Budget	% CAPEX BUDGET SPENT - Actual capital Expenditure / Budget Capital Expenditure x 100	%	95% - 100%			95%-100%	92,7%	95%- 100%	78%	Not achieved	To improve the SCM processes and payment of contractors
Org 92						Capital Infrastructure projects completed as per a year plan	% of capital projects completed within budget (awarded budget/tender value)	%	100%			-	-	95%- 100%	0%	Not achieved	To monitor capital project more closely and report to relevant structures on variances
Org 93						Monitor -Operating Expenditure Budget	% OPEX Budget spent - Actual Operating Expenditure / Budgeted Operating Expenditure x 100	%	95% - 100%			95%-100%	100,60%	95%-100%	99%	Achieved	
Org 94						Monitor Remuneration cost	% staff cost over OPEX incurred - Remuneration (Employee Related	%	25% - 40%			25%-40%	34,87%	25-40%	40,00%	Achieved	

							Costs and Councillors' Remuneration) /Total Operating Expenditure x100										
Org 95				D1.3	Develop and implement measures to reduce the level of debt owed to the municipality	Improve Net Debtors Days	Number of Net Debtors Days - ((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) × 365	Number in days	30			30	634	30	308 days	Not achieved	To enforce the service level agreement with the debt collector and also finalise the indigent register and debt write-off
Org 96	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable				Improve Collection Rate	% Collection Rate - (Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	%	93%-95%			93%-95%	59%	93-95%	76%	Not achieved	To enforce the service level agreement with the debt collector and also finalise the indigent register and debt write-off
Org 97						Reduce the debtors for services rate	% of outstanding service debtors to annual revenue from services	%	0%-26%			-	-	0%-26%	128%	Not achieved	To enforce the service level agreement with the debt collector and also finalise the indigent register and debt write-off
Org 98			D1.4	Improve cash and debtors management	Improve the Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	Cash / Cost Coverage Ratio in Months - ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Number in months	1 - 3 Months			1-3 months	0.2months	1-3months	0 months	Not achieved	To implement the revenue enhancement strategy in order to improve the revenue generation and collection	

Org 99					Improve debt coverage rate	Debt coverage rate - (Total operating revenue less operating grants)/ Debt service payment	Number	40 x					30-40	38%	Achieved	
Org 100			To enforce a fair and legislatively compliance	D2.2	Apply fairness, equitability, competitiveness, transparency & cost effectiveness principles in obtaining goods and services.	Monitor Supplier performance	%	100%			100%	64%	100%	52%	Not achieved	To request assistance from Provincial Treasury on improving Contract Management
Org 101			To budget and report on all Municipal financial transactions	D3.4	Timeously report on financial matters as legislated/regulat ed.	Present Mid-year budget reviewed	Date	21-Jan			21-Jan	26-Feb	21-Jan	28-Jan	Achieved	
Org 102						Submit the Adjustment budget for tabling to Council by the Mayor by 25 February.	Date	25-Feb			25-Feb	26-Feb	25-Feb	25-Feb	Achieved	
Org 103						Prepare and submit the Previous year's annual financial statements to AG by 31 August.	Date	31-Aug			31-Aug	31-Aug	31-Aug	31-Aug	Achieved	
Org 104			To ensure that assets are properly safeguarded		To account for all assets owned by the municipality	Conduct Asset verification	Number	2			2	1	2	2	Achieved	
Org 105	CROSS CUTTING INTERVENTIONS	To increase environmental and community safety	Promote the Environment Conservation and management to	F1.2	To do due diligence on environmental impact for planned projects and programmes.	Conduct Environment Impact Assessment for new developments	%	100%			100%	None	100%	None received	Not applicable	
Org 106			F1.1	To develop and implement an environmental management plan that addresses climate change	Develop Environmental Management Plan	Date Environmental Management Plan adopted by Council	Date	31-Mar			31-Mar	Draft environmental plan still to be adopted	31-Mar	Environmental plan in place but not yet adopted by Council	Not achieved	To present the final Environmental Management Plan to the new Council for adoption in the

					amongst other things .												new financial year
Org 107			Mitigate the HIV epidemic and promote positive living in Donorela	F2.3	To develop and implement programmes that target high risk groups	Conduct HIV/ AIDS awareness	Number of HIV / AIDS programmes implemented	Number	4			-	-	4	3	Not achieved	To prepare a year plan and implement it
Org 108		F2.1		Coordinate Local Aids Council (LAC) support programmes.	Coordinate Local Aids Council (LAC) support programmes.	Number of LAC meetings held	12				4	4	4	1	Not achieved	To form a new Local Aids Council after Mayor has been formally selected by Council.	
Org 109		Provide disaster management and emergency services		F3.3	Develop Contingency plan for the Municipality-long term and short term (life span)	Develop disaster and fire contingency plan for the Municipality	Date disaster and fire contingency plan developed/ reviewed and adopted	Date	30-Jun			30-Jun	Developed but not adopted	30-Jun	Not developed	Not achieved	To finalise the development of the Disaster and Fire Contingency plan in the new financial year
Org 110			F3.4	Develop fire brakes system for farmers and enforce fire belt	Fire brakes as a prevention method	Conduct annual Fire brakes in the Municipal Area	Number	1 per ward per year (14)			14	0	14	3	Not achieved	To performance annual fire breaks as per the year plan	
Org 111			Ensure the needs of Special groups are addressed	F4.2	Capacitating of communities for better response to industrialization	Provide training and education funding to communities	Budget amount spent in awarding bursary /learnership	Number	656660			456660	208785	650000	183769,6	Not achieved	To advertise the mayoral bursary timeously
Org 112				F4.1	Develop and implement projects targeting the special groups	Develop and implement Youth programmes	Number of youth programmes developed and implemented	Number	4	4		4	6	4	6	Achieved	
Org 113						Develop and implement Elderly support programmes	Number of elderly programmes implemented	Number	4			4	3	4	5	Achieved	
Org 114	CROSS CUTTING INTERVENTIONS	To increase environmental and community safety			Develop and Implement programmes to support People with disability	Number of Disability events/programmes implemented	Number				4	2	4	4	Achieved		
Org 115					Design and implement Women program	Number of Women events/programmes implemented	Number	1			1	3	1	1	Achieved		
Org 116				Design and implement Men program	Number of Men events/programmes implemented	Number	1			1	4	1	1	Achieved			

Org 117	To increase environmental and community safety.	Reduce crime rate			Design and implement Children program	Number of Children events/programmes implemented	Number	1			1	5	1	2	Achieved	
Org 118			F5.1	Promote neighbourhood watch group schemes	Participation in community policing forum (CPF).	Number of CPF meetings attended	Number	8			4	4	4	1	Not achieved	To implement the Community Safety Forum (CSF)
Org 119		Implement SELLUMA	F6.3	Prepare a wall to wall planning scheme for the whole municipal area	Prepare a wall to wall scheme for the Municipality	Date the "wall to wall" scheme prepared and adopted	Date	30-Jun			30-Jun	-	30-Jun	None	Not achieved	To request Assistance from Cogta for the preparation of the scheme
Org 120			F7.2	Monitor and assess driver fitness and Vehicle roadworthiness through Road blocks	Road blocks conducted quarterly.	Number of road blocks conducted	Number	15			15	21	15	27	Achieved	
Org 121			F7.1	Monitor and fix road markings and signs(incl minimum tonnage in CBD) to promote safer roads	Road marking done on major roads	Km's of road markings/painting done	Number in Km's	15	-		15	8.7km	15	45,21	Achieved	
Org 122					Road safety campaigns conducted	Number of road safety campaigns	Number		6		8	13	8	37	Achieved	

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTAL, TURNOVER AND VACANCIES

Table 4.1.1

Description	2014/15				2015/16			
	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)
Financial Services	26	29	-3					
Technical Services	102	82	20	19.6%				
Corporate Services	27	15	12	44%				
Community Services	86	87	-1					
MM's Office	6	6	0					
Total	243	219	24	9.9%				

Table 4.1.2

Turnover Rate			
Details	Total Appointments as of beginning of Financial Year in No	Terminations During the financial year	Turnover Rate
2014/15	196	11*	5.6%
2015/16			

Table 4.1.3

Vacancy Rate Senior management: 2015/16			
Description	Total No. of Approved Posts	Vacancies	Vacancies (as a % of total posts per category)
Municipal Manager	1	0	0%
CFO	1	0	0%
s.56 Managers	3	0	0%
Total	5	0	0%

COMPONENT B: MANAGING THE WORKFORCE

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(i)(c), to ensure fair, efficient, effective and transparent personnel administration..." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during FY2014/15. uPhongolo Municipality did create and approve new policies of this nature in the financial year 2014/15 and 4 of the policies are being reviewed in the 2015/16 financial year

4.2 POLICIES

Table 4.2.1

HR Policies and Plans				
No	Name of Policy	% Complete	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
1	Records Management Policy	100	100	04 November 2014
2	Scarce & Critical Skills Retention Policy	100	100	04 November 2014
3	Recruitment & Selection Policy	100	100	04 November 2014
4	Learnership Policy	100	100	04 November 2014
5	HIV & AIDS Policy	100	100	04 November 2014
6	Internal Transfer Policy	100	100	04 November 2014
7	Employee Wellness Policy	100	100	04 November 2014
8	Leave Policy	100	100	04 November 2014
8.1	• Annual Leave	100	100	04 November 2014
8.2	• Family Responsibility Leave	100	100	04 November 2014
8.3	• Maternity Leave	100	100	04 November 2014
8.4	• Paternity Leave	100	100	04 November 2014
8.5	• Sick Leave	100	100	04 November 2014
8.6	• Study Leave	100	100	04 November 2014
8.7	• Unpaid Leave	100	100	04 November 2014
9	Subsidized Motor Vehicle Policy	100	100	04 November 2014
10	Skills Development Policy	100	100	04 November 2014
11	Sexual Harassment Policy	100	100	04 November 2014

12	Occupational Health & Safety Policy	100	100	04 November 2014
13	Experiential Training Policy	100	100	04 November 2014
14	Acting in Higher Position Policy	100	100	04 November 2014
15	Travel & Subsistence Policy	100	100	04 November 2014
16	Termination of Service Policy	100	100	04 November 2014
17	Probationary Period Policy	100	100	04 November 2014
18	Bursary Policy	100	100	04 November 2014
19	Fleet Management Policy	100	100	04 November 2014
20	ICT Policy	100	100	04 November 2014
21	Access to Information Policy	100	100	28 November 2014
22	Customer Care Policy	100	100	28 November 2014
23	Cell phone & 3G Allowance Policy	80%	80%	Policy still being reviewed
24	Overtime Policy	80%	80%	Policy still being reviewed
25	Skills Development Policy (Review)	80%	80%	Policy still being reviewed
26	Employment Equity Policy	80%	80%	Policy still being reviewed

4.3 INJURIES, SICKNESS AND SUSPENSIONS

As the below table shows no one was injured in the reporting financial year

Table 4.3.1

Type of Injury	Injury Leave Taken (Days)	No. of Employees Using Injury Leave	% Proportion of Employees Using Sick Leave	Average Injury Leave per Employee	Total Estimated Cost (R'000)
Required basic medical attention only	0	0	0%	0	
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal	0	0	0%	0	
Total	0	0	0%	0	

Table 4.3.2

Number of days and Cost of sick leave (excluding Injuries on Duty)						
Salary band	Total Sick Leave Days	% Proportion of sick leave without medical certification	No. of employees using sick leave	Total no. of employees in post	Average sick leave per employee (Days)	Estimated cost
Lower skilled (Levels 1-2)	121	4%	16	98	6.4	45402
Skilled (Levels 3-5)	107	13.1%	17	66	6.3	63945
Highly skilled production (Levels 6-8)	92	7%	10	20	9.2	86039
Highly skilled supervision (Levels 9-12)	230	2.2%	10	24	23	253321
Senior management (Levels 13-15)	30	33.3%	4	8	7.5	47916
MM and s.56	0	0	0	3	0	0
Total	580	6.9%	57	219	9.7	496623

Table 4.3.3

Number and Period of Suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or Status of case and reasons why not finalized	Date finalized
N/A	None	N/A	N/A	N/A
N/A	None	N/A	N/A	N/A

Table 4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand value of any loss to PM	Disciplinary action taken	Date finalised
N/A	N/A	N/A	N/A

COMPONENT C: MANAGING THE WORKFORCE EXPENDITURE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded

Beneficiaries	Gender	Total
Lower Skilled (Levels 1-2)	N/A	0
Skilled (Levels 3-5)	N/A	0
Highly Skilled (Levels 6-8)	N/A	0
Highly Skilled supervision (Levels 9-11)	N/A	0
Management (Levels 13-16)	N/A	0
MM and s56 Managers	N/A	0
Total		

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation

Occupation	Number of employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
N/A	N/A	N/A	N/A	N/A

Employees appointed to posts not approved

Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
N/A	N/A	N/A	N/A	N/A

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of uPhongolo local Municipality and focuses on the financial health of the municipality.

5.1 STATEMENT OF FINANCIAL PERFORMANCE

Table 5.1.1

Summary Statement of Financial Performance

	R'000	R'000	R'000	R'000	
Description	2015/16 Revised Budget	2015/16	2014/15		2015/16
		Actuals	Actuals	Variance	% movement
Total Revenue by Source (Excluding capital Transfers)	244 134	224 390	159 689		
Total Operating Expenditure	184 811	185 931	-153 894		
Surplus/ (Deficit) for the year	59 323	38 459	59 052		

5.2 CASH FLOW

Table 5.2.1

	R	R	R		
	Budget 2015/16	Actual 2015/16	Actual 2014/15	Change	% Change
Cash From Operating activities					
Receipts	208 716 307	222 881 626	183 142 219		
Payments	-155 186 315	-171 306 266	-124 508 515		
Net cash flow from operating activities	53 529 992	51 575 360	58 633 704		

Net cash from investing activities	-56 331 500	59 958 239	-56 103 692		
Net cash from financing activities	6 610 295	5 019 963	-2 994 412		
Net Cash and cash equivalents at the beginning of the year	29 817 833	13 137 115	13 601 515		
Cash and cash equivalents at the end of the year	343 999 250	9 774 199	13 137 114		

5.3 GRANTS

Table 5.3.1

Name of Grant	Unspent portion 2014/15 financial statements	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2015/16 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	R	R	R	R	R				
Capital Grants									
Flea Market Grant	703 752		-	(492 139)	211 613	No	N/a	Yes	N/a
Municipal Infrastructure Grant	5 062 297	(318 008)	27 852 000	(30 124 960)	2 471 329	No	N/a	Yes	N/a
Integrated National Electrification Programme Grant	(14 549 302)	14 549 302	12 000 000	(12 000 000)	-	No	N/a	Yes	N/a
Mass Electrification Programme	-		10 000 000	(5 072 110)	4 927 890	No	N/a	Yes	N/a
Sub-Rank Facility Grant	2 043 138	(444 711)	-	(1 134 635)	463 792	No	N/a	Yes	N/a
Cultural Village Grant	1 063 879		4 500 000	(2 930 841)	2 633 038	No	N/a	Yes	N/a
Street Lights Grant	536 990		-	(108 768)	428 222	No	N/a	Yes	N/a
Sports Facility Grant	165 863		-	(165 863)	-	No	N/a	Yes	N/a
Operating Grants									
Municipal Systems Improvement Grant	-		1 800 000	(1 800 000)	-	No	N/a	Yes	N/a
Finance Management Grant	-		930 000	(930 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490		-	-	490 490	No	N/a	Yes	N/a
Provincialisation of Libraries Grant	-		973 000	(973 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	-		340 000	(234 877)	105 123	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-		-	-	-	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	-		4 449 000	(4 449 000)	-	No	N/a	Yes	N/a
Zululand District Municipality Tourism Grant	-		-	-	-	No	N/a	Yes	N/a
Development Administration Grant	205 686		-	-	205 686	No	N/a	Yes	N/a
Integrated Electrification Redds	98 000		-	-	98 000	No	N/a	Yes	N/a
Tourism Grant Candover	290 862		-	-	290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848		-	-	93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104		-	-	123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864		-	-	72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621		-	-	47 621	No	N/a	Yes	N/a
Municipal Development Grant	100 000		-	-	100 000	No	N/a	Yes	N/a
Total Grants	(3 450 908)	13 786 583	62 844 000	(60 416 193)	12 763 482				

5.4 ASSET MANAGEMENT

The uPhongolo local Municipality has always had challenges with regard to the fixed asset register resulting in the register being GRAP non-compliant. The challenges experienced resulted in the property, plant and equipment being a qualification item in the 2012/13 financial year by Auditor General. The municipality has ensured that all previous year fixed asset errors are addressed with the assistance of PricewaterhouseCoopers (PWC) who appointed to compile the 2014/15 Asset Register. Their terms of reference included the follows:

- ❖ Physical verification of all movable assets
- ❖ Physical verification of infrastructure (immovable) assets
- ❖ Review of assets under construction (AUC), analysis of 2015 capital expenditure and WIP completed during the 2015 financial year
- ❖ Unbundling of infrastructure assets acquired (WIP completed) as required by GRAP17
- ❖ Review of remaining useful lives (RUL) of infrastructure and movables assets
- ❖ Identification and review of possible impairment of infrastructure and movable assets
- ❖ Implementation and review of disposal during the 2015 financial year
- ❖ Perform the depreciation charge calculation for 2015 financial year
- ❖ Provide journals, disclosure notes and annexures in the annual financial statements and accounting policies
- ❖ Respond to all relevant GRAP asset audit queries



Auditor-General of South Africa

uPhongolo Municipality Audit report 2015-16

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

Report on the financial statements

Introduction

1. I audited the financial statements of the uPhongolo Municipality set out on pages 94 to 163, 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 qualified audit opinion.

Basis for qualified opinion

Grants and subsidies paid

6. I was unable to obtain sufficient and appropriate audit evidence as to whether the R2,45 million in respect of grants and subsidies paid, as disclosed in the financial statements had been accurately recorded and related to persons qualifying for free basic service in terms of the municipality's indigent relief policy. Audit tests performed highlighted deficiencies such as duplicated South African identification numbers for different households, deceased indigents, incomplete records, as well as indigents and/or spouses of indigents being employed in government departments. In addition, no annual review or assessment for qualification of indigent support was undertaken. Consequently, I was unable to determine the adjustment necessary to grants and subsidies.

Qualified opinion

7. In my opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the uPhongolo 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

8. I draw attention to the matters below.

Material losses

9. As disclosed in note 32 to the financial statements, material electricity distribution losses amounting to R4,03 million (2015: R3,93 million) of 4,86 million kilowatts (2015: 5,40 million kilowatts) was incurred during year, as a result of illegal connections, unread/obsolete meters and technical losses.

Material impairment provision

10. As disclosed in note 5 to the financial statements, a material provision for doubtful debts on service debtors amounting to R59,64 million (2015: R50,52 million), was made, as result of poor debtor payments history as well as the creditors control and debtors collection policy not being implemented efficiently.

Financial sustainability

11. As disclosed in note 56 to the financial statements, the municipality's current liabilities of R61,57 million (2015: R58,21 million) exceeded its cash resources of R9,77 million (2015: R13,14 million) by an amount of R51,80 million (2015: R45,07 million). This

indicates the existence of a material uncertainty that may cast significant doubt on the municipality's financial sustainability in the foreseeable future.

Additional matter

12. I draw attention to the matter below.

Unaudited disclosure notes

13. 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

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 the selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of Objective B - Basic service delivery and infrastructure on pages 34 to 37 as well as Objective F - Cross cutting interventions on pages 43 to 45 presented in the annual performance report of the municipality for the year ended 30 June 2016.
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 consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (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 Cross cutting interventions objective are as follows:

Cross cutting interventions

Usefulness of reported performance information

Measurability of indicators

Indicators not well defined

20. A total of 42% of the indicators were not well defined. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. This was due to a lack of standard operating procedures and documentation.

Reliability of reported performance information

21. Significantly important targets were not reliable when compared to the source information or evidence provided. The FMPPI requires municipalities to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. This was due to a lack of standard operating procedures and documentation.

Basic service delivery and infrastructure

22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the Basic service delivery and infrastructure objective.

Additional matters

23. I draw attention to the following matters.

Achievement of planned targets

24. 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 objectives reported in paragraphs 20 and 21 of this report.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Basic service delivery and infrastructure objective. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Compliance with legislation

26. I 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:

Annual financial statements

27. 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, trade and other payables from exchange transactions, receivables from exchange transactions, prepayments, employee related costs, finance costs, revenue from non-exchange transactions, general expenses, repairs and maintenance expenditure in aggregate identified by the auditors in the submitted financial statements were subsequently corrected, but the supporting records for free basic services could not be provided and/or were inadequate, resulting in the financial statements receiving a qualified audit opinion.

Procurement and contract management

28. No audit evidence was provided that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by supply chain management (SCM) regulation 27(2)(a).
29. 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, 2000 (Act No. 5 of 2000) (PPPFA) and its regulations.
30. Contracts were awarded to bidders that did not score the highest points in the evaluation process, in contravention of section 2(1)(f) of the PPPFA.
31. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
32. Contracts were awarded to service providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

Expenditure management

33. Money owing by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
34. An adequate management information system which facilitates the validation, verification and recognition of expenditure when it is incurred, was not in place, as required by section 65(2)(b) of the MFMA.
35. 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.

Asset management

36. An effective system of internal control for assets (including an adequately maintained asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Conditional grants

37. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant allocation, as required by section 12(5) of the DoRA.

Human resource management

38. The staff establishment in place, as required by section 66(1)(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000), had not been approved by council at year-end.

Internal control

39. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for my qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

Leadership

40. Oversight processes were not adequate to ensure compliance with action plans, addressing implementation of corrective measures for prior year findings. This resulted in numerous repeat findings as well as a matter being qualified.

Financial and performance management

41. The accounting officer did not implement adequate monitoring and evaluation processes to ensure that all requirements of laws and regulations were complied with. Furthermore, due to inadequate monitoring, performance and financial related non-compliances were not identified timeously to implement corrective measures, as was evidenced by the material corrections to the financial statements and weaknesses identified in the reported performance information.

Governance

42. The effectiveness of the municipality's risk management strategy, internal audit function and the audit committee were compromised as management did not implement the recommendations timeously as well as to take action to mitigate the risks identified in the risk assessment process.

Other reports

43. I draw attention to the following engagements that could potentially impact the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

44. Investigations into control deficiencies in the municipality's SCM process were conducted during the year relating to where there was a payment for goods or services that were not received, payments made to suppliers where there were irregularities in the award of the tender and investigations into vendors possibly inflating prices. One case is being investigated by the municipality's attorneys; the other two cases are being investigated by provincial treasury.
45. The department of Cooperative Governance and Traditional Affairs appointed an independent consulting firm to conduct an investigation covering eighteen allegations relating to integrated development plan implementation as well as supply chain and human resources management matters during the 2015-16 financial year. The municipality is awaiting the final report thereon from the department.

Auditor General

Pietermaritzburg

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

UPHONGOLO MUNICIPALITY AUDIT ACTION PLAN

ACTION PLAN ON AUDITOR GENERAL FINDINGS: YEAR ENDED 30 JUNE 2016

AR Para No.	REPORT FINDING	PROPOSED ACTION TO BE IMPLEMENTED	RESPONSIBLE PERSON	TARGET DATE	CURRENT STATUS/PROGRESS
6	I was unable to obtain sufficient appropriate audit evidence as to whether the R2.45 million in respect of grants and subsidies paid had been accurately recorded and related to persons qualifying for free basic services in terms of the municipal indigent policy.	<ul style="list-style-type: none"> The relevant fieldworkers have received training on collection of data. The amount payable per person to be finalized. The fieldwork to be completed in three months as directed by councilors. 	<p>M R Mthethwa - CFO</p> <p>F S Msezane – Community Services Director</p>	31/03/2017	
9	As disclosed in note 32 to the financial statements, material electricity losses of R4.03 million (4,86 million kilowatts) was incurred as a result of distribution losses.	<ul style="list-style-type: none"> Where meters are installed inside the premises, these will be relocated outside so that they can be read. Old meters will be replaced with smart meters. Assistance will be sought from other municipalities if the problem persists. 	<p>S Mtshali (Electrician)</p> <p>N F T Buthelezi - Technical Services Director</p>	Ongoing	
10	As disclosed in note 5 to the financial statements, the municipality made a material provision for the impairment of receivables on service debtors amounting to R59.64 million (2015: R50.52 million) due to poor collection of service debtor accounts.	<ul style="list-style-type: none"> A meeting will be held with the Debt Collector to discuss the challenges and the way forward. Irrecoverable debts will be written off. Debts due by organs of state to be handed to treasury for assistance with the collection. Debts due by farmers to be handed over for collection. In respect of Ncotshane debtors, ownership of properties to be established and finalized. 	<p>M R Mthethwa - CFO</p> <p>T Bembe (Income Accountant)</p> <p>Technical</p>	<p>31/06/2017</p> <p>31/06/2017</p>	<ul style="list-style-type: none"> The provision will be visited at year end taking into account latest developments. Cogta is currently collecting from organs of state though at a snail's pace.
11	As disclosed in note 56 to the financial statements, the municipality's current	<ul style="list-style-type: none"> Finalise the Revenue Enhancement Plan and obtain council approval. 	M R Mthethwa – CFO	Ongoing	Submitted letter of complaint to Sars with

	liabilities of R61.57 million exceeded its cash resources of R9.7 million by an amount of R51.8 million. This the existence of a material uncertainty that may cast significant doubt on the municipality's financial sustainability in the foreseeable future.	<ul style="list-style-type: none"> Identify other sources of revenue. Finalise recovery of VAT refunds due by Sars 	T M Bembe – Income Accountant. Cogta A Mncwango – Expenditure Accountant		regard to time taken to resolve the issue
20	A total of 42% of the indicators were not well defined. This was due to the lack of standard operating procedures and documentation.		All HODs M Mdluli – PMS Manager		
21	Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to the lack of standard operating procedures and documentation.		All HODs M Mdluli – PMS Manager		
22	No material findings were identified on the usefulness and reliability of the reported performance information for Objective A: Basic service delivery.				
25	I identified material misstatements in the performance report submitted for auditing on the performance information for the basic service delivery. Management corrected the misstatements.	The issues which gave rise to the misstatement of performance information will be addressed during the current year to prevent repeat thereof	M Mdluli		
27	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, trade and payables from exchange transactions, and liabilities identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the supporting for free basic services could not be provided	<ul style="list-style-type: none"> The issues which gave rise to the errors corrected at year end will be addressed during the current year to prevent repeat thereof. Eskom to be advised to discontinue the provision of free basic electricity pending the finalization of the new indigent register. 	M R Mthethwa – CFO All finance officials All departments		<ul style="list-style-type: none"> Eskom already informed and are awaiting the council resolution.

	and/or were inadequate resulting in the financial statements receiving a qualified audit opinion.				
28	No audit evidence was provided that the bid specifications were unbiased and allowed all potential suppliers to offer goods and services, as required supply chain management regulation 27(2)(a).		T S Dlamini – SCM Manager		
29	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, and its regulations.		T S Dlamini – SCM Manager All bid committees		
30	Contracts were awarded to bidders that did not score the highest points in the evaluation process.		All bid committees		
31	Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c)		BEC Committee		
32	Contracts were awarded to service providers whose tax matters had not been declared by the Sars to be in order, in contravention of SCM regulation 43.		BEC Committee		
33	Money owing by the municipality was not always paid within 30 days or upon an agreed period, as required by sections 65(2)(e) of the MFMA.	<ul style="list-style-type: none"> • A review of the creditors age analysis to be done on a regular basis and follow up of long outstanding invoices followed up. • A review of the orders file will be done to determine unfulfilled. 	Expenditure Accountant	Ongoing	Suppliers are paid within 30 days unless there are challenges which cannot be resolved in time
34	An adequate management information system which facilitates the validation, verification and recognition of expenditure		M R Mthethwa – CFO		

	when it is incurred, was not in place, as required by section 65(2)(b) of the MFMA.				
35	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.	<ul style="list-style-type: none"> • Month to month contracts to be stopped and proper contracts entered into. • Contracts Officer to initiate the advert for goods and services 4 months before the expiry of the current contract. • All service providers to have SLAs and contracts properly signed. • Adverts for tenders to capture all documents required as well as how each tender will be evaluated. 	T S Dlamini – SCM Manager		
36	An effective system of internal control for assets (including an adequately maintained asset register) was not in place, as required by section 63(2)(c) of the MFMA	<ul style="list-style-type: none"> • The asset register to be reconciled with the ledger on a monthly basis. • A review of repairs and maintenance vote to be done to establish existence of assets incorrectly expensed 	M R Mthethwa – CFO L S Ntshangase – Asset Controller	Monthly	
37	The municipality did not evaluate its performance in respect of programmes funded by MIG as required by section 12(5) of the DoRA.		NFT Buthelezi – Technical Services Director S M Nkwanyana – PMU Manager	Monthly	
38	The staff establishment in place, as required by section 68(1)(a) of the MSA had not been approved by council at year end.	The staff establishment will be reviewed and approved by council.	WM Nxumalo – Corporate Services Director M M Ndlela – Municipal Manager	30/06/2017	
40	Oversight processes were not adequate to ensure compliance with action plans, addressing implementation of corrective measures for prior year findings. This resulted in numerous repeat findings as well as a matter being qualified.		All HODs All Line Managers	Monthly	
41	The accounting officer did not implement adequate monitoring and evaluation	The municipal Manager will be appointed and will ensure that adequate	M M Ndlela – Municipal Manager	Ongoing	

	processes to ensure that all requirements of laws and regulations are complied with. Furthermore, due to inadequate monitoring, performance and financial related non-compliance were not identified timeously to implement corrective measures, as was evidenced by the material corrections required to the financial statements and weaknesses in the reported performance information.	monitoring of compliance with the laws and regulation is implemented.			
42	The effectiveness of the municipality's risk management strategy, internal audit function and the audit committee were compromised as management did not implement the recommendations timeously as well as to take control action to mitigate the risks identified in the risk assessment process.		All HODs All Line Managers		

APPENDICES

APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Council Attendance					
Council Members	Full Time/ part time FT/PT	Committee Allocated	Ward and/or Party Rep represented	Percentage Council Meetings Attended	Percentage Apologies for non- attendance
				%	%
Cllr M M Hadebe - Mayor	PT	EXCO, Finance, HR/Staff Committee, Performance Committee	ANC / PR	81%	33%
Cllr H V Ngcamphalala - Speaker	FT	All Committees as Ex-officio	ANC / 10	100%	0%
Cllr J B Ngema - Dep Mayor	PT	EXCO, Finance, HR/Staff Committee, Performance Committee, Technical Infrastructure & Planning,	NFP / PR	69%	60%
Cllr M B Makhoba	PT	EXCO, Finance, Social Community & LED Committee	ANC / PR	56%	43%
Cllr A Z Thabede	PT	EXCO, Finance	IFP / PR	94%	0%
Cllr E N Buthelezi	PT	EXCO, Social Community & LED Committee	IFP / 4	94%	0%
Cllr K E Nxumalo	PT	HR/Staff Committee, Social Community & LED Committee, Technical Infrastructure & Planning Committee, MPAC	NFP / PR	63%	83%
Cllr F F Simelane	PT	None	IFP / 1	94%	0%
Cllr N J Mkhwanazi	PT	Technical Infrastructure & Planning Committee, Social Community & LED Committee, MPAC	ANC / 2	100%	0%
Cllr M J Phakathi	PT	HR/Staff Committee, MPAC, Social Community & LED Committee	NFP / 3	94%	0%

Cllr M J Dlamini	PT	Technical Infrastructure & Planning Committee, Finance Committee, MPAC, Social Community & LED Committee	NFP / 5	88%	0%
Cllr N P Mavuso	PT	MPAC	IFP / 6	88%	50%
Cllr M P Khumalo	PT	Social Community & LED Committee	ANC / 7	100%	0%
Cllr M C Nkumane	PT	HR/Staff Committee	IFP / 8	100%	0%
Cllr S R Simelane	PT	HR/Staff Committee, MPAC	ANC / 9	94%	100%
Cllr Z L Nxumalo	PT	Technical Infrastructure & Planning Committee, MPAC	ANC / 11	81%	0%
Cllr M S Mtungwa	PT	Technical Infrastructure & Planning Committee, MPAC	NFP / 12	94%	0%
Cllr D Nyawo	PT	Technical Infrastructure & Planning Committee, MPAC	ANC / 13	88%	0%
Cllr N T Gumbi	PT	MPAC, Social Community & LED Committee	ANC / 14	88%	0%
Cllr B C Nhlabathi	PT	HR/Staff Committee	ANC/PR	75%	25%
Cllr B Mvelase	PT	MPAC, Finance Committee	ANC/PR	94%	100%
Cllr C N Mavundla	PT	MPAC, Finance Committee	NFP/PR	94%	0%
Cllr N M Mkhwanazi	PT	MPAC	NFP/PR	94%	0%
Cllr C V Simelane	PT	None	IFP/PR	94%	0%
Cllr M M Mtungwa	PT	None	IFP/PR	88%	50%
Cllr B H Nkosi	PT	Technical Infrastructure & Planning Committee,	IFP/PR	75%	25%
Cllr J C Theron	PT	Technical Infrastructure & Planning Committee, MPAC	DA/PR	88%	50%

APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
HR/STAFF COMMITTEE	The responsibilities of the Human Resources/Staff Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
FINANCE COMMITTEE	The responsibilities of the Finance Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
SOCIAL COMMUNITY & LED COMMITTEE	The responsibilities of the Social, Community and Local Economic Development Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy on all functional areas;
	(b) to develop and recommend by-laws on all functional areas ;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies on all functional areas; and
	(f) to exercise oversight on all functional areas.
MPAC	MPAC performs an oversight function on behalf of the Council it is not a duplication of, and must not be confused with either the Internal Audit Committee or the Finance Committee. MPAC is to help Council to hold the executive and municipal administration to account and to ensure the efficient and effective use of municipal resources and it will do this by reviewing public accounts and exercising oversight on behalf of Council.

Municipal Committees	Purpose of Committee
TECHNICAL INFRASTRUCTURE & PLANNING	The Technical Infrastructure & Planning Portfolio Committee will formulate recommendations for consideration by the Executive Committee in relation to:
	- Issues delegated to it by the Executive Committee or referred to it by the Municipal Manager;
	- Consideration of the Capital and Operating Expenditure as provided for in the budget for the current financial year and the right to
	authorize expenditure where such budgeted expenditure has been provisionally
	approved but excluding the right to
	reallocate expenditure from one vote to another or to the provisional status of funds where applicable;
	- Dealing with issues pertaining to the Council's Technical Infrastructure and
	Planning Services;
	- Implementing all policies and projects approved by the Council falling within the
	Terms of Reference of this
	Committee; Advising on the provision of appropriate facilities for the benefit of the
	inhabitants of the municipal area of jurisdiction;
	- 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
	- consideration of or amendments to by-laws pertaining to the function of the portfolio;
	- prioritising projects falling within the functional areas of the portfolio;
	The Portfolio Committee may consult with the Municipal Manager and the relevant Head of Department on Council's policies and programmes.

APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Local Economic Development	LED Manager – Mr T Mazibuko
Internal Audit	Internal Audit Manager – Mr B Nkosi
Project Management Unit	PMU Manager – Mr S Nkwanyane
Budget	Budget Manager – Mr S Mkhize
Risk and Performance	Risk and Performance Manager – Mr M Mdluli
Supply Chain Management	SCM Manager - Mr T Dlamini
Protection Services	Manager Protection Services – Mr S D Sithole

APPENDIX D: FUNCTIONS OF THE MUNICIPALITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	No
Electricity and gas reticulation	Yes	No
Firefighting services	Yes	No
Local tourism	Yes	No
Municipal airports	No	No
Municipal planning	Yes	No
Municipal health services	No	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	No
Storm water management systems in built-up areas	Yes	No
Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	No
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	No
Cemeteries, funeral parlours and crematoria	Yes	No
Cleansing	Yes	No
Control of public nuisances	Yes	No
Control of undertakings that sell liquor to the public	No	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	No	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	Yes	No
Local sport facilities	Yes	No
Markets	Yes	No
Municipal abattoirs	No	No
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	No
Pounds	Yes	No
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No

APPENDIX E: WARD INFORMATION

Functionality of Ward Committees								
Ward Name - Number	Name of Ward Councillor 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 COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
1	CLLR FF SIMELANE	NKOSI	PHIWAYINKOSI	FAITH BASED				
		MSIBI	SINDI	HEALTH &SOCIAL DEV				
		MABASO	SIFISO	EDUCATION				
		MASUKU	MPHENI	ENVIROMENT AND TOURISM				
		KUNENE	GEORGE	SAFETY &SECURITY				
		MHLONGO	SHAYINKOMO	FARM WORKERS				
		MTHETHWA	THEMBINKOSI	PHYSICALLY CHALLENGED				
		KUNENE	SINDI	WOMEN				
		MASANGO	SIMANGELE	YOUTH				
2	CLLR N J MKHWANAZI	SIMELANE	LUKE	BUSINESS				
		MANANA	WONDERBOY	HEALTH &SOCIAL DEV				
		MKHWEBANE	NKOSINATHI	PUBLIC TRANSPORT				
		MATHENJWA	ESTHER	FAITH BASED				
		MANANA	PHATHI	WOMEN				
		NDIMANDE	HLAKANIPHILE	YOUTH				
		NXUMALO	NKOSINGIPHILE	EDUCATION				
		SHONGWE	MDUDUZI	CIVIC ASSOCIATION				
		THABEDE	MAUREAN	HEALTH &SOCIAL DEV				
3	CLLR M J PHAKATHI	HLANZE	VUMA MACDONALD	YOUTH				
		HLATSHWAYO	JABU	WOMEN				
		MSIBI	JALI	FAITH BASED				
		MALINGA	MVUMELANI	TRADITIONAL INSTITUTIONS				
		SIBIYA	THEMBI	HEALTH AND SOCIAL DEV				
		SIBIYA	ZWELETHU	PROFESSIONALS				
		SIBIYA	ZWELENKOSI	SAFETY AND SECURITY				
		SIBIYA	VUMA	BUSINESS				
		ZWANE	CHRISTOPHER	SPORTS ANDS RCREATION				

Ward Name - Number	Name of Ward Councillor 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 COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
4	CLLR E N BUTHELEZI	MBOKAZI	DUMISANI ABEDNICO	FAITH BASED	YES			
		SHONGWE	BHALIYA	BUSINESS				
		NDLANGAMA NDLA	MTHOKOZENI	YOUTH				
		BUTHELEZI	JOMO	SAFETY AND SEC.				
		MAHLABA	MAUREEN J	EDUCATION				
		DLAMINI	GUGULETHU S	HEALTH &SOCIAL DEV				
		SIBIYA	MONICA	WOMEN				
		NKWANYANA	ZODWA ALLIAN	FARMERS				
		MTHIMKHULU	PATRICK MDUDUZI	TRADITIONAL INST				
		NTSHANGASE	NOMVULA	PHYSICALLY CHAL				
5	CLLR M J DLAMINI	MAHLOBO	CEBISILE	HEALTH &SOCIAL DEV	YES			
		MAHLOBO	BONGANI	PHYSICALLY CHALLENGED				
		NDLANGAMA NDLA	NTOMBIZODWA	WOMEN				
		NHLENGETHWA	CLEOPAS	PUBLIC TRANSPORT				
		KHANYILE	STHETHELELE	EDUCATION				
		SIBIYA	SIPHO	YOUTH				
		SIBIYA	DARIUS	FAITH BASED				
		MTSHALI	JABULANI	TRADITIONAL				
		KUNENE	SIPHO	SPORTS&RECREATION				
6	CLLR N P MAVUSO	MALINGA	ZIBUSE	SAFETY AND SECURITY	YES	12	12	17
		MAVUSO	ADAM	PHYSICALLY CHALLENGED				
		MAVUSO	ROBERT	ENVIROMENT &TOURISM				
		SIBIYA	WELCOME	YOUTH				
		MASUKU	ZODWA	HEALTH AND SOCIAL DEV				
		NDWANDWE	STAFF	WOMEN				
		SIBIYA	HAPPY	FARM WORKERS				
		SIBIYA	CELUMUSA	EDUCATION				
		MOTHA	PHILLIMON	FAITH BASED				
		MAVUSO	ZACHARIA	TRANSPORT				

Ward Name - Number	Name of Ward Councillor 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 COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
7	CLLR M P KHUMALO	SIMELANE	FRIEDAH	SENIOR CITIZENS	YES	12	12	14
		THABEDE	TAPPY	YOUTH				
		NTULI	DANIEL	FAITH BASED				
		DLAMINI	JUSTICE	PROFESSIONALS				
		NCUBE	SIYABONGA	SPORTS AND RECREATION				
		NCUBE	NKOSINGIPHI LE NANA	WOMEN/PHYSICALLY				
		NTSHANGASE	THEMBA	PUBLIC TRANSPORT				
		DLAMINI	BHEKI	BUSINESS				
		YENDE	SAMSON	COMMUNITY BASED & SAFETY				
		DLAMINI	JELITHA	HEALTH & SOCIAL DEV				
8	CLLR N C NKUMANE	SIMELANE	THEMBELIHL E	NGO/CIVIL	YES	12	12	7
		BUTHELEZI	MANTOMBI	WOMEN				
		SIYAYA	THULANI	EDUCATION				
		ZONDO	SENZELENI	TRADITIONAL INSTITUTIONS				
		SHABANGU	THABISILE	PUBLIC TRANSPORT				
		SIMELANE	NOMASWAZI	FARMERS				
		MALINGA	THOLAKELE	BUSINESS				
		SHABALALA	COMFORT	YOUTH				
		NKOSI	EXCELLENT	HEALTH AND SOCIAL DEV				
		MLABA	ZWELISHA	SAFETY AND SECURITY				
9	CLLR S R SIMELANE	KUNENE	BHEKISISA	YOUTH	YES	12	12	9
		GUMBI	CATHRINAH	WOMEN				
		MBHAMALI	MADODA	PUBLIC TRANSPORT				
		MNGADI	DUMISANI	HEALTH & SOCIAL DEV				
		MAFULEKA	THANDAZILE	SAFETY & SECURITY				
		SIMELANE	ISAIC	PHYSICALLY CHALLENGED				
		NGWENYA	VELEPHI	BUSINESS/INFORMAL				
		MATHENJWA	SUGAR	FARMERS				
		LUTHER	KESTER	FAITH BASED				
		GUMBI	NKOSIKAYIHL ULEKI	EDUCATION				
10	CLLR H V NGCAMPHALALA	THABEDE	BONGINKOSI	YOUTH	YES	12	12	8
		MOLAPO	SAMSON	EDUCATION				
		NXELE	BONGINKOMO	FAITH BASED				

		THINDWA	LINDIWE	HEALTH&SOCIAL DEV				
		LUKHELE	BHEKI ANDREW	SAFETY& SECURITY				
		NSUKWINI	THEMBA	BUSINESS				
		NXUMALO	SAM	PROFESSIONALS				
		MWELASE	MTHANDENI	CIVIC ASSOCIATION				
		NTSHANGASE	MENZI	PUBLIC TRANSPORT				
		NYAWO	BALIWE	WOMEN				
Ward Name - Number	Name of Ward Councillor 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 COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
11	CLLR Z L NXUMALO	MADUNA	ISAIAH SILO	FARM WORKERS	YES	12	12	14
		XABA	SAMKELISIW E ROSE	WOMEN				
		KHUMALO	MNDENI ROSE	YOUTH				
		NKOSI	HAZEL LIHLE	PHYSICALLY CHALLENGED				
		NDLANZI	RANDERMAN	SAFETY AND SECURITY				
		MABASO	THULI KHANYISILE	HEALTH &SOCIAL DEV				
		NKOSI	JABULILE SIGNATURE	NEGLETED/REM OTE				
				TRANSPORT				
		MSELI	MTHOBISI	EDUCATION				
		THABEDE	WINILE ZIBUYISILE	BUSINESS				
12	CLLR M S MTUNGWA	RADEBE	NTOKOZO	SPORTS AND RECREATION	YES	12	12	9
		MASHABANE	PERCY	HEALTH &SOCIAL DEV.				
		MNTUNGWA	NOMTHAND AZO	EDUCATION				
		NDLANGAMA NDLA	AMOS KHUZULWAN DLE	COMMUNITY SAFETY				
		NDLANGAMA NDLA	SIZWE	FAITH BASED				
		ZWANE	CLEMENT	PUBLIC TRANSPORT				
		KHAOLA	GRACE	TRADITIONAL INSTITUTIONS				
		NZIMA	ROSELINE	WOMEN				
		MNYEZIMA	NOKUBONGA	YOUTH				
		NDLANGAMA NDLA	ABEDNIKO	PHYSICALLY CHALLENGED				
13	CLLR D NYAWO	SITHOLE	NKULULEKO	SOCIAL DEV. & SPORTS	YES	12	12	5
		MYENI	SIFISO	PUBLIC TRANSPORT				
		MOTHA	ZAMOKUHLE	BUSINESS				

		NTSHANGASE	JOSHUA	CIVIC ASSOCIATION				
		MYENI	SIGCINO	YOUTH				
		KHANYI	NOBUHLE	WOMEN/FAITH BASED				
		SITHOLE	SIPHIWE	PROFESSIONALS				
		BUTHELEZI	SIBONGILE	ENVIROMENT/T OURISM				
		MYENI	NURSE	PHYSICALLY CHALLENGED				
14	CLLR N T GUMBI	MATHENJWA	DUMAZILE	EDUCATION	YES	12	12	4
		MTHETHWA	PINKY	WOMEN				
		NKOSI	MBUZO	YOUTH				
		DLAMINI	SIKHUMBUZO	BUSINESS				
		NXUMALO	NOMUSA	PHYSICALLY CHALLENGED				
		NKOSI	JENENE	SAFETY & SECURITY				
		MAGWAZA	KHULULIWE	HEALTH & SOCIAL DEV				
		THABEDE	NOKULUNGA	TRADITIONAL INST.				
		DLAMINI	NELISIWE	PUBLIC TRANSPORT				

APPENDIC F MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS

Date of Committee	Committee recommendations during Year 2015/2016	Recommendations adopted (enter Yes) If not adopted (provide explanation)
26-Aug-15	Contract for PWC to be reviewed in terms of timeframes and the transferring of skills to officials.	Yes
	Draft AFS would be circulated to Internal Audit, COGTA and to Audit Committee after the meeting.	No, Draft AFS was not ready yet and was only presented to Internal Auditor the following day.
	Draft AFS would be included in the next Audit Committee meeting.	Yes
	Recommendations to Council in terms of Risk Management and Internal Control would be included in the Audit Committee report.	Yes
	The Committee recommended that the Acting Municipal Manager should ensure that Budget Manager works with the CFO.	Yes
	Resolved that if the AG doesn't get response from the CFO s/he should escalate the matter to the Acting Accounting Officer	Yes
29-Aug-15	Responsible officials to be identified to provide evidence and forwarded to Internal Audit	Yes
	Letter would written and submitted to the Honourable Mayor	Yes
	Contract list would be presented in the next meeting	No, Risk and Performance Manager was absent he tendered an apology
	Letter would be written and forwarded to the Honourable Mayor.	Yes
30-Oct-15	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	Yes
	The Chief Internal Auditor will provide the register on the quarterly meetings	Yes
	Prof S.Perumal suggested that a letter should be written to the Municipal Manager about the issue of performance that the portfolio of evidence are submitted late	Yes
	Drivers to use recommended routes to reduce incidents	Yes

	The Chief Internal Auditor to submit the internal audit matrix to provide the status	Yes
	The Chief Internal Auditor to be provided with evidence	No, evidence was not provided to Auditors
	Letter will be submitted to council	Yes
	The Audit Committee raised a serious concern and matters should be addressed to the Municipal Manager for urgent attention	Yes
	Prof S.Perumal suggested that a letter should be written and list all the findings and also attach documents to the letter as it needs urgent attention	Yes
	Prof S.Perumal suggested that the finding should be added to the letter and also be included in the matrix	yes
	Prof S.Perumal suggested that a letter should be written about the internal controls and quote an act and it should be forwarded to the Municipal Manager and Chairperson of MPAC	Yes
	Mr L.G Nxumalo suggested that the matter should be reported to the forensic department within Provincial Treasury in Pietermaritzburg for investigations	Yes
	The Audit Committee raised a serious concern and matters will be addressed to the Municipal Manager for urgent attention	Yes
	Prof S.Perumal suggested that the finding should be included in a letter	Yes
	Prof S.Perumal suggested that the issue of the indigent register should be included in the letter	Yes
	Prof S.Perumal suggested that the Chief Internal Auditor should advise the Risk and PMS Manager to put the ones highlighted in red in the matrix	Yes
	The financial reporting document to be forwarded to members on time to members	Yes
	The PWC Contract fixed asset register should be included in the letter	Yes
15-Dec-15	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	Yes
	Fast tracking of Budget and Treasury Officer to be considered.	Yes
	The Sitting of Bid Committees would be monitored.	Yes
	Reason for variance for targets that were not achieved would be specified in the SDBIP before the 31st of January 2016.	no, quarter one was not updated
	SDBIP would be updated with actual targets.	no, quarter one was not updated
	Evidence would be signed-off by the Head of Department.	no, quarter one was not updated
	Evidence submitted to substantiate the achievement of set quarterly target would be signed before the end of January 2016.	no, quarter one was not updated
	Investigation would be conducted on the issue of Waste collection and come out with the solution.	No, Investigation was not conducted by the Director Community services

Waste collection reports for quarter 1 would be submitted before the end of January 2016	No, Waste collection report was not submitted by the end of January
Adequate evidence to substantiate the achievement of targets would be submitted before the end of January 2016.	No, evidence was not provided to Auditors
Service Delivery and Budget Implementation Plan would be verified.	no, quarter one was not updated
Performance report would be submitted to every departmental meeting.	yes
Matters would be attended to before the end of January 2016.	No
Internal Audit to verify whether this matter were resolved.	No, Information not provided for verification
Evidence submitted to substantiate the achievement of set quarterly target would be signed before the end of January 2016.	No
Matters raised by the Auditors would be rectified before the end of January 2016.	No
Skills Development Plan would be developed after the Discretionary Grant has been received.	No, the Corporate Director is still working on it
Matters would be addressed in quarter 2.	No, Matters not addressed in Q2
In Future the Chief Financial Officer should stick to the AFS Plan.	N/A
The letter would be drafted and forwarded to the Municipal Manager recommending the appointment of Internal Control Officer	Yes
Information about the job description of the Internal Control Officer to be collected	Yes
Spaces in the column of Service Level Agreement would be filled before the end of January 2016	Yes
Red faces would be dealt with before the end of January 2016, and if there are challenges that would be reported to Audit Committee.	Yes
PMS Audit would be included in the Internal Audit Annual Plan and be reported in quarter 3.	Yes
The letter recommending the establishment of the Clean Audit Project Committee to be written and forwarded to the Municipal Manager.	Yes

Municipal Audit Committee Recommendations (continued)

Date of Committee	Committee recommendations during Year 2015/2016	Recommendations adopted (enter Yes) If not adopted (provide explanation)
26-Feb-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	Yes
	Mrs Wendy Anderson suggested that the Municipal Manager should sign the policy to show that he is happy with the adoption of the policy.	Yes
	The Budget Manager must sort out the old audit findings and he should be done by the end of March 2016	Yes
	The SCM Manager to be trained so that he can have a clear understanding in terms of the accounting side of assets	No, the training to be allocated for the next financial yaer
	The Chief Internal Auditor recommended that all the Admin Officers should extract all the resolutions from council to submit them to the speaker	No, admin Officers are on training
	Prof S. Perumal suggested that the PMS Manager should talk to the IDP Manager about the issues since he has got some ideas.	Yes
	Prof S. Perumal suggested that the Chief Internal Auditor shall put the matter in the matrix so that they can look at it again	Yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager that there are substantial matters that are still outstanding they are not resolved.	Yes
	Acting Director Corporate Services to complete the task by the end of March 2016 and the Municipal Manager to intervene if the task is not done.	No, newly appointed Director will do the task
	Prof S. Perumal suggested that a letter should be written to the MPAC chairperson about the matter and make a copy for the findings and attach it to the letter.	Yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager about the issues regarding the HR department and also stated that all the vacant posts need to be filled urgently.	Yes
	Prof S. Perumal suggested that the Municipal Manager should immediately oversee with the Corporate services department regarding all the findings	Yes
	Prof S. Perumal suggested that when the budget is prepared, the research should be done by the PMU Manager for getting accurate figures	No, PMU will conduct such research in the next financial year
	Prof S. Perumal suggested that the Budget Steering Committee should be reactivated.	No, awaiting the availability of the Mayor
	Prof S. Perumal suggested that a letter should be written about the shortage of staff under the Finance section and the Budget Manager should consult with the HR Department regarding the filling of the posts.	Yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager and cc the CFO about the inefficiencies in the Supply Chain section and state that serious concerns are being expressed regarding all the issues that are highlighted in the audit report and attach a copy of all the issues.	Yes
	The Chief Internal Auditor to put the finding on the matrix	Yes

	Prof S. Perumal suggested that a letter should be written to the Municipal Manager about all the reports expressing concerns for the Technical Services and SCM unit	Yes
	The Budget Manager to liaise with the CFO to re-look at quarter one because quarter two is already done	Yes
	The document to be approved by the signature of the Chairperson of the Audit Committee.	Yes
	Prof S. Perumal suggested that a letter should be written to the MPAC about the Audit Committee expressing serious concerns about the large number of debtors owing the municipality and serious emphasis must be made	Yes
	Prof S. Perumal suggested that the Chief Internal Auditor should work together with the PMS Manager to sort out the matter.	Yes
24-Mar-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	Yes
	A letter will be written to the Municipal Manager about the issues with regard to the investigations	Yes
	A letter will be written to the Municipal Manager about the issues with regard to the investigations	Yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager saying that the Audit Committee is expressing serious concerns and put the heading, include the examples and state that all the outstanding non-performance anomalies must be resolved/addressed urgently	Yes
	Prof S.Perumal suggested that a letter should be written and include a copy for all the examples of the evidence that was not signed by the HOD	Yes
	Prof S. Perumal said that it should be recorded that the Community Services HOD was not present and the Municipal Manager should address the outstanding performance issues to improve the performance	Yes
	Prof S. Perumal suggested that a letter must be written highlighting the issues within the Technical Department and a copy will be made for the MPAC Chairperson who should have a one-on-one meeting with the Municipal Manager	Yes
	Prof S.Perumal said that the Municipal Manager must explore the possibility of the quarterly performance reports and also the Internal Audit reports be also submitted to the portfolio committees and it is required urgently to improve the performance.	No, awaiting for the finalisation of quarter three audit reports.
	Prof S. Perumal suggested that a general comment must be made that all non-performance areas and must be attended to urgently	No, awaiting for the finalisation of quarter three audit reports.
	Prof S.Perumal suggested that all the performance areas that has not been achieved must be attended to urgently and the PMS Manager will work in consultation with the Municipal Manager to resolve the matters	Yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager and attach a copy of all the challenges highlighted in the Mid-year Performance Report	Yes
29-Apr-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee.	Yes
	Prof S. Perumal suggested that a letter stating that the adjustment budget be taken into account except that we found to be irregular or inadequate monitoring to have been corrected in the adjustment budget	Yes
	The Chief Internal will do a follow-up	Yes

Prof S. Perumal suggested that a letter should be written to the Municipal Manager stating that the Audit Committee is expressing concerns that there are weak S&T controls and it is recommended that the municipality should consider centralising the responsibility of the S&T control mechanism to one department	Yes
Prof S.Perumal suggested that a letter should be written to the Municipal Manager about the anomalies in authority to use the municipal vehicles and attach a copy of the finding where anomalies were noted	Yes
Prof S. Perumal suggested that a letter should be written to the Municipal Manager and state that the Audit Committee is concerned about the anomalies in accepting tender documents	Yes
Prof S. Perumal suggested that a letter should be written to the Municipal Manager stating that the Audit Committee is expressing serious concerns about the pre authorisations that are being approved by unauthorised personnel and that the Audit Committee should further check whether the employee activities are in line with the requirements/services of the Municipality just to improve internal controls	Yes
Prof S. Perumal suggested that a letter should be written stating that the controls must be improved to overcome the challenges of the possibility of fictitious claims	Yes
The Chief Internal Auditor will do a follow-up to find out whether the amount was recovered from the employee	Yes
Prof S. Perumal suggested that a letter should be written stating that the Audit Committee is expressing serious concerns about the failure to conduct workshop on overtime policy and the matter must be given urgent attention.	Yes
Prof S. Perumal suggested that a letter should be written stating that the Audit Committee is concerned about the non-compliance over the 30%	Yes
The senior Internal Auditor will do a follow-up on the approval of the maintenance plan.	Yes
Prof S. Perumal suggested that the letter should also include that the Audit Committee is concerned that the comprehensive matrix is a challenge for the Audit Department and consensus to assist them should be considered.	Yes

CONCLUSION

The Municipality is in accordance with the legislative requirements of the Local Government: Municipal Systems Act, (Act No. 32 of 2000) and the Municipal Finance Management Act (Act No. 56 of 2003), required to report on the performance of the Municipality and present the financial statements for the year under review (2015/16). The Annual Report is a key performance report to the community and other stakeholders that reflects a true, honest and accurate amount of goals set by the Council and the success or otherwise in achieving these goals.

ACRONYMS/ABBREVIATIONS

AFS	Annual Financial Statements
AG	Auditor -General
CIP	Consolidated Infrastructure Plan
COGTA	Corporative Governance and Traditional Affairs
CPMD	Certificate Programme in Management Development
DoE	Department of Energy
DOT	Department Of Transport
EXCO	Executive Committee
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ICT	Information Communications Technology
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
LED	Local Economic Development
LGSETA	Local Government Sectoral Education and Training Authorities
LLF	Local Labour Forum
LUMS	Land Use Management System
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTAS	Municipal Turnaround Strategy
NSDP	National Spatial Development Perspective
PMS	Performance Management Systems
SCM	Supply Chain Management
MPAC	Municipal Public Accounts Committee
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SMME	Small Medium Micro Enterprise
ULM	uPhongolo Local Municipality
WSP	Workplace Skills Plan
APRC	Audit Performance Risk Committee

VOLUME 2 – ANNUAL FINANCIAL STATEMENTS



uPhongolo Local Municipality

Annual Financial Statements

for the year ended 30 June 2016

uPhongolo Local Municipality

for the year ended 30 June 2016

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

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Members of the Audit Committee

Chairperson

Members

Perumal S

Stock A

Nxumalo L G

Nxumalo C D

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uPhongolo Local Municipality

Annual 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 Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The Accounting Officer is of the opinion, based on the information and explanations given by the Management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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 ended 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 61, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer.

Ndlela M M
Municipal Manager:

Date: 31 August 2016

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2016

Municipal Manager's approval of annual financial statements

I, Ndlela M M, Accounting Officer of the uPhongolo Local Municipality, am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The reports and statements set out on pages 6 to 61 comprise the annual financial statements which have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of General Notice 516 of 2008 and the Accounting Framework as set out in the Accounting Standards Board (ASB) directives read together with directive 3 transitional provisions for low capacity municipalities.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Ndlela M M
Municipal Manager

Date: 31 August 2016

uPhongolo Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

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ABBREVIATIONS

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension

uPhongolo Local Municipality
Statement of Financial Position
as at 30 June 2016

	Note	2016 R	Restated 2015 R
ASSETS			
Current assets		88 357 659	77 618 289
Cash and cash equivalents	2	9 774 199	13 137 115
Trade and other receivables from exchange transactions	5	9 590 609	8 057 832
Trade and other receivables from non-exchange transactions	6	54 521 903	47 834 418
VAT receivable	14	13 925 592	8 083 662
Prepayments	7	545 356	505 262
Non-current assets		372 735 994	312 987 527
Non-current receivables from exchange transactions	4	-	107 328
Property, plant and equipment	8	306 250 542	253 960 076
Intangible assets	9	349 507	54 178
Investment property	- 10	66 065 000	58 795 000
Heritage assets	11	70 945	70 945
Total assets		461 093 653	390 605 816
LIABILITIES			
Current liabilities		61 572 064	58 580 313
Trade and other payables from exchange transactions	12	37 545 658	36 222 340
Consumer deposits	13	1 724 477	400 255
Current provisions	15	5 896 196	9 666 679
Current portion of unspent conditional grants and receipts	16	12 763 480	10 335 673
Current portion of long-term borrowings	17	243 236	432 497
Current portion of finance lease liability	18	3 399 017	1 522 869
Non-current liabilities		12 175 610	9 154 523
Non-current portion of long-term borrowings	17	-	76 719
Non-current portion of finance lease liability	18	3 745 217	1 659 646
Non-current provisions	15	4 948 939	4 343 511
Revenue received in advance		456 134	456 134
Defined benefit plan obligations	48	3 025 320	2 618 513
Total liabilities		73 747 674	67 734 836
Net assets		387 345 979	322 870 980
NET ASSETS			
Accumulated surplus		387 345 979	322 870 980
Total net assets		387 345 979	322 870 980

uPhongolo Local Municipality
Statement of Financial Performance
for the year ending 30 June 2016

	Note	2016 R	Restated 2015 R
REVENUE			
Revenue from exchange transactions		53 294 719	44 409 650
Service charges	20	41 423 596	33 925 983
Rental of facilities and equipment	21	709 472	568 933
Interest earned - external investments	22	1 615 135	1 058 168
Interest earned - outstanding receivables	23	5 748 835	5 151 578
Licences and permits		1 488 674	1 687 719
Other income from exchange transactions	25	2 309 007	2 017 269
Revenue from non-exchange transactions		184 439 614	158 157 420
Property rates	19	26 874 788	26 455 243
Fines		258 632	357 203
Government grants and subsidies	24	157 306 194	131 171 709
Public contributions and donations	26	-	173 265
Total revenue		237 734 333	202 567 070
EXPENSES			
Employee related costs	27	65 896 348	45 793 766
Remuneration of councillors	28	7 757 782	7 473 064
Contribution to provisions	29	(492 149)	1 305 675
Debt impairment		9 952 999	7 254 124
Collection costs		121 214	236 480
Depreciation and amortisation expense	30	7 606 150	6 795 484
Repairs and maintenance		6 389 942	6 618 364
Finance costs	31	(570 283)	3 318 697
Bulk purchases	32	25 370 106	21 481 778
Contracted services	33	20 374 486	17 122 622
Grants and subsidies paid	34	2 450 840	2 913 255
General expenses	35	38 469 280	32 983 698
Total expenses		183 326 715	153 297 007
(Profit)/Loss on disposal of assets	36	(276 768)	508 877
Impairment loss	37	43 062	616 620
Fair value gain	38	(7 270 000)	(3 400 000)
Surplus for the period		61 911 324	51 544 566

uPhongolo Local Municipality
Statement of Changes in Net Assets
as at 30 June 2016

	Note	Accumulated Surplus R	Total: Net Assets R
Balance at 30 June 2014 as previously reported		279 509 325	279 509 325
Changes in net assets:			
Adjustments:			
Newly identified assets		382 535	382 535
Correction of prior period errors		(8 565 446)	(8 565 446)
Surplus for the period		51 544 566	51 544 566
Restated balance at 30 June 2015		322 870 980	322 870 980
Changes in net assets:			
Newly identified assets		127 168	127 168
Correction of prior period errors		2 436 507	2 436 507
Surplus for the period		61 911 324	61 911 324
Balance at 30 June 2016		387 345 979	387 345 979

uPhongolo Local Municipality

Cash Flow Statements

as at 30 June 2016

	Note	2016 R	Restated 2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		222 881 626	186 838 264
Sale of goods and services		51 267 055	41 960 530
Grants		159 734 000	134 963 000
Interest income		7 363 970	6 209 746
Other receipts		4 516 601	3 704 988
Payments		(171 306 266)	(128 114 531)
Employee costs		(65 896 348)	(45 793 766)
Councillors allowances		(7 757 782)	(7 473 064)
Suppliers		(95 771 579)	(68 615 749)
Interest paid		570 283	(3 318 697)
Other payments		(2 450 840)	(2 913 255)
Net cash flows from operating activities	39	51 575 360	58 723 733
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(59 920 191)	(56 103 692)
Decrease in other property, plant and equipment		-	-
Proceeds from disposal of assets		309 536	-
Purchase of intangibles		(347 584)	-
Decrease heritage assets		-	-
Decrease/(Increase) in loans and receivables		-	-
Net cash flows from investing activities		(59 958 239)	(56 103 692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(265 979)	(423 961)
Proceeds from finance lease liability		6 349 585	-
Repayment of finance lease liability		(2 387 865)	(2 660 480)
Increase in consumer deposits		1 324 222	-
Net cash flows from financing activities		5 019 963	(3 084 441)
Net increase / (decrease) in cash and cash equivalents		(3 362 916)	(464 400)
Net cash and cash equivalents at beginning of period		13 137 115	13 601 515
Net cash and cash equivalents at end of period	2	9 774 199	13 137 115

uPhongolo Local Municipality
Statement of Financial Position
as at 30 June 2016

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Position					
Assets					
Current assets					
Cash and cash equivalents	33 626 620	(23 062 525)	10 564 095	9 774 199	789 896
Trade and other receivables from exchange transactions	59 411 819	(51 442 075)	7 969 744	9 590 609	(1 620 865)
Trade and other receivables from non-exchange transactions	834 074	39 700 290	40 534 364	54 521 903	(13 987 539)
VAT receivable	-	-	-	13 925 592	(13 925 592)
Prepayments	-	-	-	545 356	(545 356)
Non-current assets					
Non-current receivables from non-exchange transactions	-	-	-	-	-
Property, plant and equipment	267 598 475	49 117 101	316 715 576	306 250 542	10 465 034
Intangible assets	35 466	(4 165)	31 301	349 507	(318 206)
Investment property	88 407 749	(29 612 749)	58 795 000	66 065 000	(7 270 000)
Heritage assets	70 945	-	70 945	70 945	-
Total assets	449 985 148	(15 304 123)	434 681 025	461 093 653	(26 412 628)
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transactions	43 245 757	3 874 913	47 120 670	37 545 658	9 575 012
Consumer deposits	452 507	-	452 507	1 724 477	(1 271 970)
VAT payable	-	-	-	-	-
Current provisions	-	-	-	5 896 196	-
Current portion of unspent conditional grants and receipts	-	-	-	12 763 480	(12 763 480)
Current portion of long-term borrowings	-	-	-	243 236	(243 236)
Current portion of finance lease liability	6 939 705	(5 092 898)	1 846 807	3 399 017	(1 552 210)
Non-current liabilities					
Non-current portion of long-term borrowings	-	-	-	-	-
Non-current portion of finance lease liability	4 614 959	1 373 941	5 988 900	3 745 217	2 243 683
Non-current provisions	3 649 309	361 121	4 010 430	4 948 939	(938 509)
Defined benefit plan obligations	2 618 513	120 000	2 738 513	3 025 320	(286 807)
Payment received in advance	456 134	-	456 134	456 134	-
Total liabilities	61 976 884	637 077	62 613 961	73 747 674	(5 237 517)
Net assets	388 008 264	(15 941 200)	372 067 064	387 345 979	(21 175 111)
NET ASSETS					
Accumulated surplus	388 008 264	(15 941 200)	372 067 064	387 345 979	(21 175 111)
Total net assets	388 008 264	(15 941 200)	372 067 064	387 345 979	(21 175 111)

Statement of Comparison of Budget and Actual Information
as at 30 June
2016

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	42 085 540	(37 150)	42 048 390	41 423 596	624 794
Rental of facilities and equipment	1 456 201	(823 631)	632 570	709 472	(76 902)
Interest earned - external investments	1 846 488	-	1 846 488	1 615 135	231 353
Interest earned - outstanding receivables	5 119 979	108	5 120 087	5 748 835	(628 748)
Licences and permits	1 859 765	(348 948)	1 510 817	1 488 674	22 143
Other income from exchange transactions	1 661 455	71 062	1 732 517	2 309 007	(576 490)
Total revenue from exchange transactions	54 029 428	(1 138 559)	52 890 869	53 294 719	(403 850)
Revenue from non-exchange transactions					
Property rates	24 731 561	-	24 731 561	26 874 788	(2 143 227)
Fines	416 584	(2 614)	413 970	258 632	155 338
Government grants and subsidies	145 213 000	20 884 879	166 097 879	157 306 194	8 791 685
Public contributions and donations	-	-	-	-	-
Total revenue from non-exchange transactions	170 361 145	20 882 265	191 243 410	184 439 614	6 803 796
Total revenue	224 390 573	19 743 706	244 134 279	237 734 333	6 399 946
Expenses					
Employee related costs	60 765 407	1 279 336	62 044 743	65 896 348	(3 851 605)
Remuneration of councillors	7 762 347	(164 915)	7 597 432	7 757 782	(160 350)
Debt impairment	9 460 034	-	9 460 034	9 952 999	(492 965)
Collection costs	-	-	-	121 214	(121 214)
Depreciation and amortisation expense	7 832 794	-	7 832 794	7 606 150	226 644
Repairs and maintenance	10 361 619	363 772	10 725 391	6 389 942	4 335 449
Finance costs	1 175 216	-	1 175 216	(570 283)	1 745 499
Bulk purchases	25 052 035	-	25 052 035	25 370 106	(318 071)
Contracted services	16 934 682	125 729	17 060 411	20 374 486	(3 314 075)
Grants and subsidies paid	3 038 740	-	3 038 740	2 450 840	587 900
General expenses	43 548 699	(2 724 095)	40 824 604	37 977 131	2 847 473
Total expenses	185 931 573	(1 120 173)	184 811 400	183 326 715	1 484 685
(Gain)/Loss on disposal of assets	-	-	-	(276 768)	276 768
Impairment loss	-	-	-	43 062	(43 062)
Gain on fair value adjustment	-	-	-	(7 270 000)	7 270 000
Surplus / (deficit) for the period	38 459 000	20 863 879	59 322 879	61 911 324	(2 588 445)

uPhongolo Local Municipality
Cash Flow Statement
as at 30 June 2016

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Cash Flow Statement					
Receipts					
Taxation	-	-	-	-	-
Sales of goods and services	51 764 974	(108)	51 764 866	51 267 055	497 811
Grants	145 213 000	14 500 000	159 713 000	159 734 000	(21 000)
Interest received	6 966 467	108	6 966 575	7 363 970	(397 395)
Other receipts	4 771 866	-	4 771 866	4 516 601	-
Payments					
Employee costs	(68 527 754)	(1 114 421)	(69 642 175)	(73 654 130)	4 011 955
Suppliers	(82 444 605)	2 234 421	(80 210 184)	(95 771 579)	15 561 395
Interest paid	(1 175 216)	-	(1 175 216)	570 283	(1 745 499)
Other payments	(3 038 740)	-	(3 038 740)	(2 450 840)	(587 900)
Net cash flows from operating activities	53 529 992	15 620 000	69 149 992	51 575 360	17 319 367
Cash Flows From Investing Activities					
Purchase of fixed assets (PPE)	(56 331 500)	(19 800 000)	(76 131 500)	(59 920 191)	(16 211 309)
Proceeds from sale of fixed assets	-	-	-	309 536	(309 536)
Proceeds from sale of investments	-	-	-	(347 584)	347 584
Decrease in heritage assets	-	-	-	-	-
Decrease/(Increase) in Loans and receivables	-	-	-	-	-
Movement	-	-	-	-	-
Net cash flows from investing activities	(56 331 500)	(19 800 000)	(76 131 500)	(59 958 239)	(16 173 261)
Cash Flows From Financing Activities					
Proceeds from borrowings	13 550 000	-	13 550 000	-	13 550 000
Repayment of borrowings	(6 939 705)	(2 201 807)	(9 141 512)	(265 979)	(8 875 533)
Proceeds from finance lease liability	-	-	-	6 349 585	(6 349 585)
Repayment of finance lease liability	-	-	-	(2 387 865)	2 387 865
Increase in consumer deposits	-	-	-	1 324 222	(1 324 222)
Net cash flows from financing activities	6 610 295	(2 201 807)	4 408 488	5 019 963	(611 475)
Net increase / (decrease) in cash and cash equivalents	3 808 787	(6 381 807)	(2 573 020)	(3 362 916)	789 896
Net cash and cash equivalents at beginning of period	29 817 833	(16 680 718)	13 137 115	13 137 115	-
Net cash and cash equivalents at end of period	33 626 620	(23 062 525)	10 564 095	9 774 199	789 896

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Financial Performance											
Property rates	24 731 561	-	24 731 561			24 731 561	26 874 788		(2 143 227)	109%	109%
Service charges	42 085 540	(37 150)	42 048 390			42 048 390	41 423 596		624 794	99%	98%
Investment revenue	1 846 488	-	1 846 488			1 846 488	1 615 135		231 353	87%	87%
Transfers recognised - operational	106 754 000	21 000	106 775 000			106 775 000	105 276 877		1 498 123	99%	99%
Other own revenue	10 513 984	(1 104 023)	9 409 961			9 409 961	18 061 388		(8 651 427)	192%	172%
Total Revenue (excluding capital transfers and contributions)	185 931 573	(1 120 173)	184 811 400	-	-	184 811 400	193 251 784		(8 440 384)	105%	104%
Employee costs	60 765 407	1 279 336	62 044 743			62 044 743	65 896 348		(3 851 605)	106%	108%
Remuneration of councillors	7 762 347	(164 915)	7 597 432			7 597 432	7 757 782		(160 350)	102%	100%
Debt impairment	9 460 034	-	9 460 034			9 460 034	9 952 999		(492 965)	105%	105%
Depreciation & asset impairment	7 832 794	-	7 832 794			7 832 794	7 606 150		226 644	97%	97%
Finance charges	1 175 216	-	1 175 216			1 175 216	(570 283)		1 745 499	-49%	-49%
Materials and bulk purchases	35 413 654	363 772	35 777 426			35 777 426	31 760 048		4 017 378	89%	90%
Transfers and grants	3 038 740	-	3 038 740			3 038 740	2 450 840		587 900	81%	81%
Other expenditure	60 483 381	(2 598 366)	57 885 015			57 885 015	58 515 893		(630 878)	101%	97%
Total Expenditure	185 931 573	(1 120 173)	184 811 400	-	-	184 811 400	183 369 777		1 441 623	99%	99%
Surplus/(Deficit)											
Transfers recognised - capital	38 459 000	20 863 879	59 322 879			59 322 879	52 029 317		7 293 562	88%	135%
Contributions recognised - capital & contributed assets	-	-	-			-	-		-	0%	0%
Surplus/(Deficit) after capital transfers & contributions	38 459 000	20 863 879	59 322 879	-	-	59 322 879	61 911 324		(2 588 445)	104%	161%
Share of surplus/ (deficit) of associate	-		-			-					

Surplus/(Deficit) for the year	38 459 000	20 863 879	59 322 879	-	-	59 322 879	61 911 324		(2 588 445)	104%	161%
<u>Capital expenditure & funds sources</u>											
Capital expenditure	56 331 500	20 864 000	77 195 500			77 195 500	59 920 191		17 275 309	78%	106%
Transfers recognised - capital	38 459 000	20 864 000	59 323 000			59 323 000	52 029 317		7 293 683	88%	135%
Public contributions & donations	-	-	-			-	-		-	0%	0%
Borrowing	13 550 000	-	13 550 000			13 550 000	5 216 548		8 333 452	38%	38%
Internally generated funds	4 322 500	-	4 322 500			4 322 500	2 674 326		1 648 174	62%	62%
Total sources of capital funds	56 331 500	20 864 000	77 195 500	-	-	77 195 500	59 920 191		17 275 309	78%	106%
<u>Cash flows</u>											
Net cash from (used) operating	53 529 992	15 620 000	69 149 992	-	-	69 149 992	51 575 360		17 574 632	75%	96%
Net cash from (used) investing	(56 331 500)	(19 800 000)	(76 131 500)	-	-	(76 131 500)	(59 958 239)		(16 173 261)	79%	106%
Net cash from (used) financing	6 610 295	(2 201 807)	4 408 488	-	-	4 408 488	5 019 963		(611 475)	114%	76%
Net increase/(decrease) in cash and cash equivalents	3 808 787	(6 381 807)	(2 573 020)	-	-	(2 573 020)	(3 362 916)		789 896	131%	-88%
Cash/cash equivalents at the beginning of year	29 817 833	(16 680 718)	13 137 115	-	-	13 137 115	13 137 115		-	100%	44%
Cash/cash equivalents at the year end	33 626 620	(23 062 525)	10 564 095	-	-	10 564 095	9 774 199		789 896	93%	29%

uPhongolo Local Municipality
Summary of Significant Accounting Policies
for the year ending 30 June 2016

1 Accounting Policies

1,1 Basis of Accounting

Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Presentation currency

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

Going concern assumption

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

1,2 Significant judgments and sources of estimation uncertainty

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

Post-retirement benefits

The entity provides post-employment benefits for its officials. These benefits are provided as defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

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

The municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Retirement funds

The municipality contributes towards retirement benefits of its employees to the under-mentioned pension funds:

- Natal Joint Municipal Pension Fund
 - Government Employees Pension Fund
 - Municipal Gratuity Fund
 - SALA Pension Fund
- Councillors do not contribute to any pension fund.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2016

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post-employment medical care benefits

The municipality provided post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment. Post-employment medical care benefits are accounted for in accordance with GRAP 25.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flow based on past recovery trends discounted at the effective interest rate computed at initial recognition.

Impairment of non-financial assets

Recognition

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

Measurement

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

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 municipality, it generates a commercial return.

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

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

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

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

Where the asset is a non-cash generating asset the recoverable amount is determined as the higher of the value in use and fair value less cost to sell.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Reversal of impairment

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

Impairment of non-financial assets

Property, plant and equipment

Where the carrying amount of an item of property, plant and equipment 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 property, plant and equipment 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.

Intangible assets

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible 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.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

Investment property held at cost

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Heritage assets

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.

Provisions

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 an 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
- 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 expenditure 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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognised.

Comparative

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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. Where accounting errors 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. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 - Related Party Disclosures

Compliance with this standard would have had an effect of the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 32 - Service Concession Arrangements

The objective of this Standard is to prescribe accounting requirements for service concession arrangements by the grantor, the public service entity.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 108 - Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 109 - Accounting by Principal and Agents

The objective of this Standard is to outline principles to be used by to be used by an entity to assess whether it is a party to the principal-agent arrangement, or whether is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 17 - Service Concession Arrangements where a grantor controls a significant residual interest in an asset.

The standard requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

If one or both of these criteria are not met the grantor needs to determine whether the arrangement constitutes a lease. If the arrangement does not constitute a finance lease or operating lease the grantor shall consider the principles for the presentation of financial information relating to accounting for revenue and expenses incurred in terms of the arrangement.

1,3 Property, Plant and Equipment

Initial recognition

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 year. Items of property, plant and equipment are initially recognised as assets when:

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

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.

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 the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Assets under construction are recognised as the assets are being constructed. Work in progress is stated at cost and is not depreciated. Upon completion of the construction the assets, other than electricity assets which are transferred to Eskom, are transferred to property, plant and equipment. Depreciation of constructed assets commences when the assets are ready for their intended use.

Initial measurement

Items of property, plant and equipment are initially measured at cost at the acquisition date.

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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an 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.

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

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Subsequent measurement

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.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2016

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Details	Years
Infrastructure	
Roads and Paving	20 years
Electricity	20-30 years
Courseway bridges	5 years
Community	
Buildings	30 years
Halls	30 years
Libraries	30 years
Heritage assets	
Paintings and artifacts	0 years
Finance lease assets	
Machinery and equipment	5 years
Motor vehicles	5 years
Other	
Land	Indefinite
Buildings	30 years
Specialised vehicles	5 years
Other vehicles	5 years
Office equipment	1-5 years
Furniture and fittings	1-5 years
Computer equipment	3 years
Plant and equipment	5 years
Landfill sites	0 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number 1.2

Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1,4 Heritage assets

Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

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

Initial measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment..

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

Refer to accounting policy 1,2 number

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal,
- or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1,5 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

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.

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

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number	1,2
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Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1,6 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures 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 for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property is set out in note 10 of the Financial Statements.

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1,7 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2016

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

Investment at amortised costs

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investment at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investment at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade payables and borrowings

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1,8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,9 Irregular expenditure

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

1,10 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. Fruitless and wasteful 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.

1,11 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating ;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality 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.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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 by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Measurement

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The income is recognised in terms of the agency agreement.

Expenditure from exchange transactions

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

Revenue from non-exchange transactions

Recognition

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is due to the Municipality, it is recognised as interest earned in the Statements of Financial Performance.

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Expenditure from non-exchange transactions

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Borrowing costs

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred assets are recognised as an expense in the statement of financial performance when incurred.

Long service awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees services provided up to Statement of Financial Position date.

Retirement benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016.

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.

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 local 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.

1,21 Commitments

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods, e.g. A contract for construction of infrastructure assets. In these events, the municipality has a commitment to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the Statement of Financial Position as a liability, but are disclosed in the annual financial statements provided:

- they are non-cancellable or only cancellable at significant cost; and
- they relate to something other than the routine, steady, state business of the municipality.

1,22 Landfill restoration

The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 18 years. It is expected that the cost to rehabilitate the landfill site will amount to R14,384 million at the end of 6 years. The landfill site rehabilitation provision is created for the rehabilitation of the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the site discounted back to the reporting date at the cost of capital, which is 5.6%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful life and makes assumptions as to the useful life of the assets, which influence the provision for future costs.

1,23 Value added tax

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis.

1,24 Taxation

The uPhongolo Local Municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

1,25 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

uPhongolo Local Municipality
Notes to the Annual Financial Statements
for the year ended 30 June 2016

	2016	2015
	R	R
2 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Cash on hand	2 544	3 571
Cash at bank	941 174	3 395 062
Call deposits	8 830 481	9 738 482
Closing balance cash and cash equivalents	9 774 199	13 137 115
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
First National Bank Limited - uPhongolo Branch: Account No. 62027530858	941 174	3 395 062
Cash book balance at end of year	941 174	3 395 062
Bank statement balance at end of year	941 174	2 182 189
<u>Call Accounts</u>		
First National Bank Limited - uPhongolo Branch: Account No. 62375357186	3 934	11 204
First National Bank Limited - uPhongolo Branch: Account No. 62375342377	15 048	12 145
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	6 553	16 236
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	19 675	10 949
First National Bank Limited - uPhongolo Branch: Account No. 62389553085	297 130	10 458
First National Bank Limited - uPhongolo Branch: Account No. 62389564024	939 336	1 629 609
First National Bank Limited - uPhongolo Branch: Account No. 62389585286	1 715 108	1 251 422
First National Bank Limited - uPhongolo Branch: Account No. 62389586507	299 940	389 893
Standard Bank Limited - Newcastle Branch: Account No. 068686234-003	1 348	1 348
First National Bank Limited - uPhongolo Branch: Account No. 62404561377	12 497	14 087
First National Bank Limited - uPhongolo Branch: Account No. 62404287345	19 354	4 500 446
First National Bank Limited - uPhongolo Branch: Account No. 62417482289	1 233	1 168
First National Bank Limited - uPhongolo Branch: Account No. 62417484235	1 615	1 530
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	15 609	14 788
First National Bank Limited - uPhongolo Branch: Account No. 62305239718	329 929	508 732
First National Bank Limited - uPhongolo Branch: Account No. 74275780911	25 872	17 526
First National Bank Limited - uPhongolo Branch: Account No. 62596797559	5 040 268	-
First National Bank Limited - uPhongolo Branch: Account No. 62253771896	19 567	12 729
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	66 465	20 903
Standard Bank Limited - Vryheid Branch: Account No. 068686234-002	-	1 082 167
Nedbank Limited - uPhongolo Branch: Account No. 3/7165014950/000003	-	231 142
Cash book balance at end of year	8 830 481	9 738 482

3 Cash and Cash Equivalents

Bank statement balance at beginning of year	9 738 482	8 403 058
Bank statement balance at end of year	8 830 481	9 738 482
Cash on hand		
Cash balances	2 544	3 571
Total cash and cash equivalents	9 774 199	13 137 115

Call investments amounting to R8 816 636 (2015: R9 463 431) have been ring-fenced for the purposes of defraying capital expenditure financed with conditional grants as set out in Note 16.

4 Non-current Receivables

	2016	2015
KZN Department of Human Settlement (Housing Scheme)	3 262 978	3 262 978
Receivables in respect of properties sold	240 638	400 280
	3 503 616	3 663 258
Less: Provision for impairment	(3 503 616)	(3 555 930)
Total	-	107 328

The Municipality bridge-financed the Ncotshane Housing Project in 2006 with an amount of R3,2 million after the KZN Department of Human Settlement had withheld funding due to expenditure not commensurate with the work executed. As some structures were incomplete, the Council resolved to complete the project in order to avoid wasteful expenditure. Negotiations with the Department of Human Settlement have commenced to recover the debt, however, it has been considered prudent to impair the debt as the recovery thereof is not assured beyond reasonable doubt.

Properties were sold to certain residents of Ncotshane Township prior to 1994, however, according to the Deeds Office the properties are not registered in the names of the buyers. Further delays are due to the fact that some of the properties are occupied by families who are not the rightful owners or the rightful owners are deceased and the beneficiaries are unknown.

5 Trade and other receivables for exchange transactions	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
<u>Trade receivables</u>			
as at 30 June 2016			
Service debtors			
Electricity	7 530 289	(1 406 727)	6 123 562
Refuse	60 158 507	(57 234 131)	2 924 376
Total	67 688 796	(58 640 858)	9 047 938
Other receivables	1 944 102	(1 401 431)	542 671
Other receivables	1 944 102	(1 401 431)	542 671
Total Trade and other receivables	69 632 898	(60 042 289)	9 590 609
<u>Trade receivables</u>			
as at 30 June 2015			
Service debtors			
Electricity	6 388 672	(2 186 640)	4 202 032
Refuse	50 763 539	(47 432 653)	3 330 886
Total	57 152 211	(49 619 293)	7 532 918
Other trade receivables	1 427 371	(902 457)	524 914
Other receivables	1 427 371	(902 457)	524 914
Total Trade and other receivables	58 579 582	(50 521 750)	8 057 832
<u>Electricity: Ageing</u>			
Current (0 – 30 days)		4 109 504	1 335 855
31 - 60 Days		1 332 214	1 161 792
61 - 90 Days		605 501	628 373
91 - 120 Days		122 563	329 756
121 - 365 Days		469 970	2 116 950
+ 365 Days		890 537	815 946
Total		7 530 289	6 388 672
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		845 817	675 119
31 - 60 Days		720 302	706 155
61 - 90 Days		630 460	629 425
91 - 120 Days		615 331	579 231
121 - 365 Days		5 034 782	3 833 441
+ 365 Days		52 311 816	44 340 168
Total		60 158 508	50 763 539
<u>Rental: Ageing</u>			
Current (0 – 30 days)		56 046	43 524
31 - 60 Days		23 836	26 159
61 - 90 Days		23 437	24 417
91 - 120 Days		21 470	23 817
121 - 365 Days		212 155	226 326
+ 365 Days		655 657	579 594
Total		992 601	923 837
<u>Other: Ageing</u>			
Current (0 – 30 days)		23 077	5 023

31 - 60 Days	9 001	3 134
61 - 90 Days	1 408 120	763
91 - 120 Days	764	512
121 - 365 Days	640	169 217
+ 365 Days	172 976	6 453
Total	1 614 578	185 102

<u>Summary of Debtors by Customer Classification</u>	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2016			
Current (0 – 30 days)	1 992 942	2 883 293	873 491
31 - 60 Days	1 277 945	1 360 930	500 779
61 - 90 Days	1 235 638	1 598 892	586 188
91 - 120 Days	972 457	142 387	304 896
121 - 365 Days	6 945 401	878 147	1 955 813
+ 365 Days	75 115 776	3 130 063	6 567 859
Sub-total	87 540 159	9 993 712	10 789 026
Less: Provision for doubtful debts	(54 657 187)	(1 521 290)	-
Total debtors by customer classification	32 882 972	8 472 422	10 789 026

as at 30 June 2015			
Current (0 – 30 days)	1 788 631	999 478	1 302 072
31 - 60 Days	1 197 089	1 235 481	1 118 519
61 - 90 Days	1 238 104	602 625	1 083 724
91 - 120 Days	1 140 261	329 832	1 120 854
121 - 365 Days	28 202 394	2 458 652	7 557 286
+ 365 Days	41 074 998	1 900 687	10 026 249
Sub-total	74 641 477	7 526 755	22 208 704
Less: Provision for doubtful debts	(40 975 956)	(1 900 687)	(7 546 065)
Total debtors by customer classification	33 665 521	5 626 068	14 662 639

	Other R	Total R
as at 30 June 2016		
Current (0 – 30 days)	621 565	6 371 291
31 - 60 Days	378 158	3 517 812
61 - 90 Days	337 859	3 758 577
91 - 120 Days	316 574	1 736 314
121 - 365 Days	2 036 169	11 815 530
+ 365 Days	11 570 699	96 384 397
Sub-total	15 261 024	123 583 921
Less: Provision for doubtful debts	(3 307 599)	(59 486 076)
Total debtors by customer classification	11 953 425	64 097 845

as at 30 June 2015		
Current (0 – 30 days)	48 547	4 138 728
31 - 60 Days	29 293	3 580 382
61 - 90 Days	25 180	2 949 633
91 - 120 Days	24 329	2 615 276
121 - 365 Days	395 543	38 613 875
+ 365 Days	586 047	53 587 981
Sub-total	1 108 939	105 485 875
Less: Provision for doubtful debts	(99 042)	(50 521 750)
Total debtors by customer classification	1 009 897	54 964 125

Reconciliation of the doubtful debt provision

Balance at beginning of the year	50 521 750	43 260 316
Change in estimate	-	(2 495 240)
Contributions to provision	8 964 326	9 756 674
Balance at end of year	59 486 076	50 521 750

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R59 486 076 (2015: R50 521 750) were impaired and provided for. The amount of the provision was R59 486 076 (2015: R50 521 750)

The fair value of trade and other receivables approximates their carrying amounts.

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. For the year under review no amounts were written off as uncollectible. The amounts are generally written off when there is no reasonable expectation of recovery.

6 Trade and other receivables for non-exchange transactions

Trade receivables - Property Rates	53 958 662	46 887 238
Outstanding deposit	307 305	230 956
Traffic fines	255 936	716 224
Total	54 521 903	47 834 418

<u>Trade receivables - Property Rates</u>	Gross Balances	Provision for	Net Balance
	R	Doubtful Debts	R
		R	
as at 30 June 2016			
Property Rates	53 958 662	-	53 958 662
	53 958 662	-	53 958 662

	Gross Balances	Provision for	Net Balance
	R	Doubtful Debts	R
		R	
as at 30 June 2015			
Property Rates	46 887 238	-	46 887 238
	46 887 238	-	46 887 238

Property Rates: Ageing

Current (0 – 30 days)	2 371 923	3 470 676
31 - 60 Days	1 419 699	1 653 849
61 - 90 Days	1 091 060	1 413 085
91 - 120 Days	976 186	1 141 871
121 - 365 Days	6 076 675	6 750 134
+ 365 Days	42 008 451	32 476 678
Total	53 943 994	46 906 293

Property rates are not considered in the computation of debt impairment since they are collectable in terms of the Property Rates Act and the relevant property serves as security for non-payment

Prepayments

Prepaid subscriptions - SALGA	-	500 000
Deposit for computers purchased	30 126	-
Microsoft licences	491 131	-
Fuel deposit	12 800	5 261
Other	11 299	-
	545 356	505 262

uPhongolo Local Municipality
Notes to the Annual Financial Statements
for the year ended 30 June 2016

8 (Restated) Property, plant and equipment

- Reconciliation of Carrying Value - 2015	Land R	Buildings R	Infrastructure R	Under Construction	Other Assets R	Total R
as at 1 July 2014	65 541 478	6 893 968	68 419 019	55 484 188	10 636 799	206 975 452
Cost/Revaluation	65 541 478	14 005 553	82 649 720	55 484 188	15 698 311	233 379 250
Accumulated depreciation and impairment losses	-	(7 111 585)	(14 230 701)	-	(5 061 512)	(26 403 798)
Prior year adjustments:	-	-	966 087	(987 230)	(7)	(21 150)
Cost/Revaluation	-	-	520 980	(987 230)	(7)	(466 257)
Accumulated depreciation and impairment losses	-	-	445 107	-	-	445 107
Acquisitions	-	401 094	138 670	54 103 009	1 678 204	56 320 977
Capital under construction released	-	8 013 234	11 761 717	(20 775 165)	24 049	(976 165)
Depreciation	-	(482 901)	(4 895 508)	-	(1 835 133)	(7 213 542)
Impairment loss/Reversal of impairment loss	-	(95 183)	(495 694)	-	(25 743)	(616 620)
Carrying value of disposals	-	-	(234 444)	-	(274 432)	(508 876)
Cost/Revaluation	-	-	(408 097)	-	(325 234)	(733 331)
Accumulated depreciation and impairment losses	-	-	173 653	-	50 802	224 455
as at 30 June 2015	65 541 478	14 730 212	75 659 847	87 824 802	10 203 737	253 960 076
Cost/Revaluation	65 541 478	22 419 881	94 662 990	87 824 802	17 075 323	287 524 474
Accumulated depreciation and impairment losses	-	(7 689 669)	(19 003 143)	-	(6 871 586)	(33 564 398)

uPhongolo Local Municipality
Notes to the Annual Financial Statements
for the year ended 30 June 2016

	Note	2016 R	2015 R
8 Property, plant and equipment (Continued)			
Property, plant and equipment pledged as security			
Plant and Machinery			
Certain motor vehicles, and plant and machinery with a carrying amount of R 7 715 281 are pledged as security for the loan amounting to R7 144 234 as disclosed in note 18.			
Land and buildings			
Certain land and buildings with a carrying amount of R3 632 380 are pledged as security for the loan amounting to R243 236 as disclosed in note 17.			

uPhongolo Local Municipality
Notes to the Annual Financial Statements
for the year ended 30 June 2016

9 Intangible assets

Reconciliation of carrying value	Computer Software R	Other R	Total R
as at 1 July 2015	54 178	-	54 178
Cost	277 783	-	277 783
Accumulated amortisation and impairment losses	(223 605)	-	(223 605)
 Additions	 347 584	 -	 347 584
 Amortisation	 (52 255)	 -	 (52 255)

as at 30 June 2016	349 507	-	349 507
Cost	625 367	-	625 367
Accumulated amortisation and impairment losses	(275 860)	-	(275 860)

Reconciliation of carrying value	Computer Software R	Other R	Total R
as at 1 July 2014	81 220	-	81 220
Cost	277 783		277 783
Accumulated amortisation and impairment losses	(196 563)		(196 563)
 Amortisation	 (27 042)	 -	 (27 042)
as at 30 June 2015	54 178	-	54 178
Cost as previously reported	277 783	-	277 783
Accumulated amortisation and impairment losses as previously reported	(223 605)	-	(223 605)

10 Investment property carried at fair value

	2016	Restated 2015
Reconciliation of carrying value	R	R
 Carrying value at 30 June 2015	 58 795 000	 58 795 000
Cost/Revaluation	58 795 000	55 395 000
Change in fair value	-	3 400 000
Accumulated depreciation and impairment losses	-	-
 Carrying value of disposals	 -	 -

Cost/Revaluation	-	-
Accumulated depreciation and impairment losses	-	-

Carrying value at 30 June 2016

	66 065 000	58 795 000
Cost/Revaluation	58 795 000	58 795 000
Change in fair value	7 270 000	-
Accumulated depreciation and impairment losses	-	-

Investment property comprises a number of vacant land and commercial properties that are leased to third parties. Each of these leases contain an option of renewal by lessee. No contingent rent is charged.

	2016	2015
	R	R
Change in accounting policy		
As a result of GRAP 16, the municipality has changed its accounting policy for determining the value of the investment property. Previously the municipality measured the investment property using the cost model. The investment property is now measured using the fair value model. The municipality has applied the new fair value measurement guidance retrospectively. The change in accounting policy had a significant impact on the measurement of the municipality's investment property. The effect of the change is as follows:		
Change in fair value	-	3 400 000

The fair value of investment property was determined by external, independent property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The independent valuers provide the fair value of investment property annually.

Method of valuation

Three methods of valuation were used in the assessment of fair value:

- Market Approach - This approach also referred to as the Comparison Approach was applied in the valuation of vacant erven; agricultural property and residential dwellings. This method uses prices and other relevant information generated by market transactions involving identical or comparable properties.

- Cost Approach - This method has been applied in the valuation of specialized, non-market property. This approach applies the basic economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

- Income Approach - This approach also referred to as the Investment Approach has been applied in the valuation of business premises on Erf 214 Ncotshane A. It has also been used with the Market Approach in the valuation of Portion 5 of the Farm Simdlangetsha No. 16956.

uPhongolo Local Municipality
Notes to the Annual Financial Statements
as at 30 June 2016

11 Heritage assets

Reconciliation of carrying value	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
as at 1 July 2015	-	70 945	-	70 945
Cost/Revaluation	-	70 945	-	70 945
Accumulated impairment losses	-	-	-	-
Acquisitions	-	-	-	-
Carrying value of disposals	-	-	-	-
Cost/Revaluation	-	-	-	-
Accumulated impairment losses	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	-	-	-	-
Under Construction	-	-	-	-
Other movements	-	-	-	-
as at 30 June 2016	-	70 945	-	-
Cost/Revaluation	-	70 945	-	-
Accumulated impairment losses	-	-	-	-

Reconciliation of carrying value	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
as at 1 July 2015	-	70 945	-	70 945
Cost/Revaluation	70 945	-	-	-
	(70 945)	70 945	-	70 945
Reclassification of error (note 40)				
Accumulated impairment losses	-	-	-	-
Acquisitions	-	-	-	-
Carrying value of disposals	-	-	-	-
Cost/Revaluation	-	-	-	-
Accumulated impairment losses	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	-	-	-	-
Under Construction	-	-	-	-
Other movements	-	-	-	-
as at 30 June 2016	-	70 945	-	70 945
Cost/Revaluation	-	70 945	-	70 945
Accumulated impairment losses	-	-	-	-

15 Provisions

Current provisions

Current portion of bonus provision	356 680	301 639
Provision for VAT and PAYE liability	5 539 516	9 365 040
Total	5 896 196	9 666 679

The provision is to provide for performance bonuses of the section 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Sars issued a notice of assessment in respect of the underpayment of VAT and Paye for the period 2008 to 2012 based on the results of its audit finding. The amount of the alleged liability was R6 297 860. The municipality appealed against the finding. During the current year, Sars conceded that the additional VAT assessment was wrong and was reversed. The objection against the additional PAYE assessment is still pending.

Non-current provisions

Provision for rehabilitation of landfill sites	4 213 865	3 764 860
Provision for long-service awards	735 074	578 651
Total Non-Current Provisions	4 948 939	4 343 511

Long service benefits

Employees who achieve 20 years service are either granted 20 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 30 years service are either granted 30 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 35 years service are either granted 50 days paid leave (once off) or encashment of leave depending on their preference.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions of Service, and may be taken, converted to cash in full or partially or accumulated. The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2016 (2015: 30 June 2015). It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not been discounted based on the fact that the interest cost would be insignificant and the fair presentation of the provision would not be materially affected.

uPhongolo Local Municipality
Notes to the Annual Financial Statements
for the year ended 30 June 2016

	Note	2016 R	2015 R
12 Trade and other payables from exchange transactions			
Trade creditors		15 483 163	22 217 451
Payments received in advance		580 984	449 856
Retentions		8 558 020	4 770 993
Staff leave accrual		5 370 188	3 861 019
Payroll deductions		5 326 338	1 651 612
Accrued bonus		1 581 506	1 079 634
Deposits - other		645 459	702 329
Workmens compensation assurance		-	1 489 446
Total		37 545 658	36 222 340

The fair value of trade and other payables approximates their carrying amounts.

13 Consumer deposits

Electricity	1 724 477	400 255
Total consumer deposits	1 724 477	400 255

No interest is paid on deposits and no guarantees are held in lieu of electricity deposits.

14 Vat Refundable

VAT refundable	13 925 592	8 083 662
Total VAT refundable	13 925 592	8 083 662

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis.

Landfill site

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the future estimated time of closure. The value of the provision is based on the expected future costs to rehabilitate the site discounted back to the reporting date at the annual inflation rate, which was currently 6.6%. The municipality has an obligation to rehabilitate the landfill site. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which the municipality incurs as a result of having used the property during a particular period for landfill purposes.

Rehabilitation costs were calculated based on the following assumptions:

- an annual inflation rate of 6.6%
- discount rate of 6.6%
- the landfill site comprises 5 hectares. The area expected to be rehabilitated: 3 hectares
- the estimated closure date of the landfill site is 2033/34.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	3 764 860	3 519 310
Contributions to provision	449 005	245 550
Balance at the end of year	4 213 865	3 764 860
Provision for long-service awards:		
Balance at the beginning of year	578 651	439 079
Contributions to provision	156 423	139 572
Balance at the end of year	735 074	578 651
Total non-current provisions	4 948 939	4 343 511

16 Unspent conditional grants and receipts

16.1 Expanded Public Works Programme Grant (EPWP)	-	-
16.2 Financial Management Grant (FMG)	-	-
16.3 Municipal Systems Improvement Grant (MSIG)	-	-
16.4 Municipal Infrastructure Grant (MIG)	2 471 329	4 744 290
16.5 Integrated national electrification programme Grant (INEP)	-	-
16.6 Mass Electrification Programme	4 927 890	-
16.7 Small Town Improvement Grant	428 222	536 989
16.8 Imbube Cultural Village Grant	2 633 038	1 063 879
16.9 Sub-rank Facility Grant	463 792	1 598 427
16.10 Flea Market Grant	211 611	703 750
16.11 Sports Facility Grant	-	165 863
16.12 Sports Facility Maintenance Grant	-	-
16.13 Provincialisation of Libraries Grant	-	-
16.14 Community Library Services Grant	105 123	-
16.15 ZDM Tourism Grant	-	-
16.16 Thusong Centre Grant	-	-
16.17 Pound Grant	490 490	490 490
16.18 Planning and Development Grant	47 621	47 621
16.19 Administration Capacity Building Grant	205 686	205 686
16.20 Synergistic Partnership Grant	123 104	123 104
16.21 Strategic Support Grant	93 848	93 848
16.22 Integrated Electrification Reds Grant	98 000	98 000
16.23 Housing Community Gardens Grant	72 864	72 864
16.24 Tourism Candover Grant	290 862	290 862
16.25 Municipal Development Planning and Capacity Building Grant	100 000	100 000

Total Unspent Conditional Grants and Receipts	12 763 480	10 335 673
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Conditional grants funds (16.1 - 16.17) are invested in ring-fenced investments until utilised. Some of these grants were not cash-backed at year end. Conditional grants (16.18 - 16.25) were received prior to 2006 and are not cash-backed. The municipality has contacted Cogta for a directive on how to treat these grants.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	4 449 000	1 837 000
Conditions met - transferred to revenue	(4 449 000)	(1 837 000)
Conditions still to be met - remain liabilities	-	-

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
Conditions still to be met - remain liabilities	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 744 289	(318 551)
Current year receipts	27 852 000	34 789 000
Adjustments and transfers	-	-
Conditions met - transferred to revenue	(30 124 960)	(29 726 160)
Conditions still to be met - remain liabilities	2 471 329	4 744 289

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld. National Treasury disallowed the rollover of unspent funds amounting to R2 471 329.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
Conditions still to be met - remain liabilities	-	-

This grant was used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

Integrated national electrification programme Grant (INEP)

Balance unspent at beginning of year	(14 549 302)	(7 016 472)
Current year receipts	12 000 000	12 000 000
Adjustments and transfers	14 549 302	-
Conditions met - transferred to revenue	(12 000 000)	(19 532 830)
Conditions still to be met - remain liabilities	-	(14 549 302)

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. In the previous years the council approved the funding of this programmed partially from own resources in order to expedite the eradication of electrification backlog. This amount is not recoverable from the Department of Energy, hence the adjustment processed.

Mass Electrification Programme

Balance unspent at beginning of year	-	-
Current year receipts	10 000 000	-
Conditions met - transferred to revenue	(5 072 110)	-
Conditions still to be met - remain liabilities	4 927 890	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply.

Small Town Improvement Grant

Balance unspent at beginning of year	536 990	659 139
Current year receipts	-	-
Conditions met - transferred to revenue	(108 768)	(122 149)
Conditions still to be met - remain liabilities	428 222	536 990

The purpose of this grant was to install street lights and high masts in uPhongolo Town. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Imbube Cultural Village Grant

Balance unspent at beginning of year	1 063 879	1 492 527
Current year receipts	4 500 000	5 000 000
Conditions met - transferred to revenue	(2 930 841)	(5 428 648)
Conditions still to be met - remain liabilities	2 633 038	1 063 879

This grant is for the construction of the Imbube Cultural Village to take advantage of the Route 66 as part of investment strategy to boost tourism in uPhongolo. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Sub-rank Facility Grant

Balance unspent at beginning of year	1 598 427	2 297 692
Adjustments and transfers	-	(444 711)
Current year receipts	-	-
Conditions met - transferred to revenue	(1 134 635)	(254 554)
Conditions still to be met - remain liabilities	463 792	1 598 427

The purpose of the grant is to construct the sub-rank facility in uPhongolo town. Other than the unspent amount, the conditions of the grant were met and no funds were withheld.

Flea Market Grant

Balance unspent at beginning of year	703 750	785 029
Current year receipts	-	-
Conditions met - transferred to revenue	(492 139)	(81 279)
Conditions still to be met - remain liabilities	211 611	703 750

This grant was used for the construction of the flea market. Permission was granted by the MEC for Cooperative Governance and Traditional Affairs to utilise the unspent funds for the purpose of acquiring furniture for the Flea Market.

Sports Facility Grant

Balance unspent at beginning of year	165 863	30 536
Current year receipts	-	525 000
Conditions met - transferred to revenue	(165 863)	(389 673)
Conditions still to be met - remain liabilities	-	165 863

The purpose of the grant is to upgrade the sports facility at Ncotshane Township. Other than the unspent amount, the conditions of the grant have been met and no funds have been withheld.

Sports Facility Maintenance Grant

Balance unspent at beginning of year	-	75 535
Current year receipts	-	-
Conditions met - transferred to revenue	-	(75 535)
Conditions still to be met - remain liabilities	-	-

The purpose of the grant is for the maintenance and upkeep of the sports facility at Ncotshane Township. The approved allocation of R150 000 was not received by the Municipality.

Provincialisation of Libraries Grant

Balance unspent at beginning of year	-	-
Current year receipts	973 000	920 000
Conditions met - transferred to revenue	(973 000)	(920 000)
Conditions still to be met - remain liabilities	-	-

The purpose of this grant is to subsidise operational costs associated with libraries. The condition of the grant was met and no funds were withheld.

Community Library Services Grant

Balance unspent at beginning of year	-	-
Current year receipts	340 000	126 000
Conditions met - transferred to revenue	(234 877)	(126 000)
Conditions still to be met - remain liabilities	105 123	-

This grant is used to pay the salary of the library Cyber Cade. The condition of the grant was met and no funds were withheld.

ZDM Tourism Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	50 000
Conditions met - transferred to revenue	-	(50 000)
Conditions still to be met - remain liabilities	-	-

To subsidise costs incurred by the municipality in the promotion of tourism within the municipal area.

Pound Grant

Balance unspent at beginning of year	490 490	490 490
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	490 490	490 490

This grant was provided in order to construct a pound in the uPhongolo Municipal area

Planning and Development Grant

Balance unspent at beginning of year	47 621	47 621
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	47 621	47 621

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Administration Capacity Building Grant

Balance unspent at beginning of year	205 686	205 686
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	205 686	205 686

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Synergistic Partnership Grant

Balance unspent at beginning of year	123 104	123 104
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	123 104	123 104

The purpose of the grant is to facilitate the involvement of the Traditional Leaders in the Council meetings.

Strategic Support Grant

Balance unspent at beginning of year	93 848	93 848
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	93 848	93 848

The purpose of the grant is to with the implementation institutional and governance systems.

Integrated Electrification Reds Grant

Balance unspent at beginning of year	98 000	98 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	98 000	98 000

The purpose of the grant is to assist with the planning for the implementation of reds.

Housing Community Gardens Grant

Balance unspent at beginning of year	72 864	72 864
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	72 864	72 864

The purpose of the grant is to assist the community of uPhongolo with the establishment of gardens

Tourism Candover Grant

Balance unspent at beginning of year	290 862	290 862
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	290 862	290 862

The purpose of the grant is to promote tourism in Candover

Municipal Development Planning and Capacity Building Grant

Balance unspent at beginning of year	100 000	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	100 000	100 000

The purpose of the grant is to assist the municipality with capacity development

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 2 of 2014), the level of government grant funding is expected to increase by R14 021 million over the forthcoming 3 financial years.

17 Borrowings

Annuity Loans	-	76 719
Non - current borrowings	-	76 719
Current portion transferred to current liabilities	243 236	432 497
Annuity Loans	243 236	76 719
Other borrowings	-	-
Total borrowings	243 236	509 216

Refer to Appendix A for more detail on borrowings.

The loan with Absa Bank for the acquisition of additional office buildings bears interest at the average effective borrowing rate which varied between 8.25% - 10.5% (2015: 8% - 8.25%). The loans will be fully redeemed in March 2017.

Certain land and buildings with a carrying value of R3 632 380 at 30 June 2016 have been pledged as securing for the loan. Refer to note 8.

18 Finance lease liability

2016	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases	R	R	R
Within one year	3 947 524	(548 508)	3 399 016
Within two to five years	4 093 131	(347 913)	3 745 218
	8 040 655	(896 421)	7 144 234

Less: Amount due for settlement
within 12 months (current portion)

(3 399 017)

3 745 217

2015	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases	R	R	R
Within one year	1 737 567	(214 698)	1 522 869
Within two to five years	1 739 142	(79 496)	1 659 646
	3 476 709	(294 194)	3 182 515
Less: Amount due for settlement within 12 months (current portion)			(1 522 869)
			1 659 646

The instalment sale agreements with Standard Bank for the purchase of property, plant and equipment bear interest at the average effective borrowing rate which varied between 8.35% and 9.75% (2015: 8.35%) per annum. The loans are repayable on a monthly basis and the final is due on 30 June 2021. Obligations under finance leases are secured by the lessor's title to the leased asset with a carrying value of R3 261 292 (2015: R3 261 292). Refer to note 8.

Certain motor vehicles, and plant and machinery with a combined carrying value of R7 715 281 have been pledged as security for the finance lease agreements. Refer to note 8.

19 Property rates

Actual

Residential	6 468 672	7 230 565
Commercial	7 467 234	6 413 233
State	7 036 513	7 285 613
Other	5 902 369	5 525 832
Total property rates	26 874 788	26 455 243
Property rates - penalties imposed and collection charges	-	-
Total	26 874 788	26 455 243

Valuations

Residential	690 026 000	533 393 000
Commercial	467 390 000	427 270 000
State	331 534 000	473 103 000
Municipal	86 577 000	205 737 000
Other	1 524 659 600	1 540 446 600
Total Property Valuations	3 100 186 600	3 179 949 600

Valuations on land and buildings are performed every five years. The current general valuation was implemented on 1 July 2014 instead of 1 July 2013. The MEC for Cooperative Governance and Traditional Affairs condoned the late implementation. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions including new developments.

Rebates of R60 000 are granted to residential and 30% state property owners. Rates are levied on a monthly basis on property owners.

Rates are levied on a monthly basis for other properties and on an annual basis for government properties with the final date of payment being 31 August 2016 (2015: 31 August). Interest at 10% per annum (2015: 10%) is levied on outstanding rates. No collection charges are levied by the municipality.

20 Service charges

Sale of electricity	32 839 670	25 985 702
Refuse removal	8 583 926	7 940 281
Total Service Charges	41 423 596	33 925 983

21 Rental of facilities and equipment

Rental of facilities	709 472	568 933
Total rentals	709 472	568 933

22 Interest earned - external investments

Current Account	124 279	289 568
External investments	1 490 856	768 600
Total interest	1 615 135	1 058 168

23 Interest earned - outstanding receivables

Property rates	3 073 676	2 708 062
Services	2 664 038	2 431 827
Other	11 121	11 689
Total interest	5 748 835	5 151 578

24 Government grants and subsidies

Operating grants

Equitable Share	96 890 000	76 982 000
Expanded Public Works Programme Grant (EPWP)	4 449 000	1 837 000
Financial Management Grant (FMG)	1 800 000	1 800 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
Provincialisation of libraries Grant	973 000	920 000
Community Library Services Grant	234 877	126 000
Sports Facility Maintenance Grant	-	75 535
ZDM Tourism Grant	-	50 000
Total operating grants	105 276 877	82 724 535

Capital grants

Municipal Infrastructure Grant (MIG)	30 124 961	29 726 160
Integrated National Electrification Programme Grant (INEP)	12 000 000	12 000 000
Massification Electricity Programme	5 072 110	-

Small Town Improvement Grant	108 768	122 149
Flea Market Grant	492 139	81 279
Sub-Rank Facility Grant	1 134 635	699 265
Imbube Cultural Village Grant	2 930 841	5 428 648
Sports Facility Grant	165 863	389 673
Total capital grants	52 029 317	48 447 174

Total Government Grant and Subsidies	157 306 194	131 171 709
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Equitable Share		
Transfers received	96 890 000	76 982 000
Equitable Share	96 890 000	76 982 000

This grant is an unconditional grant and is partially used for the provision of free basic services to indigent community members. Registered indigents receive a rebate of 100% on assessment rates, 50 kwh of electricity (per household) as well as alternative source of energy (green gel).

25 Other Income From Exchange Transactions

Other income		
NPA fees	853 719	951 529
Transport subsidy	738 491	144 360
Sign boards	59 214	59 661
Burial fees	104 903	96 739
Building plans	42 354	73 394
Tender document fees	183 773	47 369
Certificate clearance and validation	12 621	17 632
Dumping fees	8 514	11 111
Electricity connection and reconnection fees	83 773	109 476
Other income	221 645	505 998
Total Other Income	2 309 007	2 017 269

26 Other Income, Public Contributions And Donations

Khabokedi Waste Management (Pty) Ltd	-	173 265
Total public contributions and donations	-	173 265

Major Classes		
Computer equipment	-	84 369
Furniture and equipment	-	19 836
Other assets	-	69 060
	-	173 265

No conditions or restrictions attached. The assets were fully capitalised on 30 June 2016.

27 Employee Related Costs

Employee related costs - Salaries and Wages	46 299 864	33 080 298
Employee related costs - Contributions for UIF, pensions and medical aids	7 937 839	5 172 087
Travel, motor car, accommodation, subsistence and other allowances	3 318 793	2 162 035
Housing benefits and allowances	484 468	31 070

Overtime payments	2 209 496	1 339 763
Performance and other bonuses	3 297 235	2 224 996
Other employee related costs	1 287 758	1 226 909
Workmens compensation assurance	494 211	192 308
Skills development levy	566 684	364 300
Total	65 896 348	45 793 766

There were no advances to employees. The municipality does not give loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	733 944	287 719
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	73 326
Contributions to UIF, Medical and Pension Funds	8 888	-
Total	742 832	361 045

Appointed 1 October 2015.

Remuneration of the Chief Finance Officer

Annual Remuneration	857 067	735 455
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	5 722	131 728
Contributions to UIF, Medical and Pension Funds	12 234	-
Total	875 023	867 183

Remuneration of Technical Services Manager

Annual Remuneration	71 278	507 468
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	194 035
Contributions to UIF, Medical and Pension Funds	868	-
Total	72 146	701 503

Appointed 1 June 2016.

Remuneration of Community Services Manager

Annual Remuneration	866 914	651 468
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	19 487	158 731
Contributions to UIF, Medical and Pension Funds	11 860	1 785
Total	898 261	811 984

Remuneration of Corporate Services Manager

Annual Remuneration	67 272	475 778
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	67 692
Contributions to UIF, Medical and Pension Funds	829	1 338

Total	68 101	544 808
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Appointed 1 June 2016.

28 Remuneration of Councillors

Mayor	443 351	419 641
Deputy Mayor	359 574	340 606
Speaker	424 239	599 266
Executive Committee Members	1 018 909	968 541
Councillors	5 439 070	5 074 291
Other allowances	72 639	70 719
Total Councillors' Remuneration	7 757 782	7 473 064

Councillors' remuneration comprises:

Councillors' remuneration	5 170 826	5 057 811
Motor vehicle allowance	1 723 610	1 685 937
Cellphone allowance	660 636	658 597
Other allowances	202 710	70 719
Total Councillors' Remuneration	7 757 782	7 473 064

The municipality has 27 part time councillors. 1 Part time councillor is a chairperson of section 79 committee.

In-kind Benefits

The Mayor, Deputy Mayor and Executive Committee Members are not full time. During the year the the Speaker became part time. In 2014/15 he was full-time. The Mayor and Speaker are provided with an office and secretarial support at a cost to the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has 2 and the Speaker 3 contracted bodyguards.

29 Contribution to provisions

Contribution to Leave Provision	1 807 473	1 060 125
Contribution to Landfill Provision	449 005	245 550
Contribution to VAT and PAYE Provision - Sars	(2 748 627)	-
Total contribution to provisions	(492 149)	1 305 675

30 Depreciation and amortisation

Property, plant and equipment	7 553 895	6 768 442
Intangible assets	52 255	27 042
Total Depreciation and Amortisation	7 606 150	6 795 484

31 Finance costs

Borrowings	404 066	465 563
South African Revenue Service	(1 374 313)	2 791 110
Suppliers	399 964	62 024
Total Finance Costs	(570 283)	3 318 697

32 Bulk purchases

Electricity	25 370 106	21 481 778
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Total Bulk Purchases	25 370 106	21 481 778
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Electricity distribution losses

Distribution losses (units)	4 855 083	5 399 683
Percentage electricity distribution losses	15,9%	18,3%

The municipality purchased 30 596 675 units (2015: 29 497 577 units) from Eskom but only sold 25 741 592 (2015: 24 097 894 units) to consumers. This represents a loss of 4 855 083 units equating R4 025 731 (2015: 5 399 683 units equating R3 932 350) translating to a percentage loss of 15.9% (2015: 18.3%).

33 Contracted services

Contracted services for:

Security services	6 264 102	6 154 220
Financial and ICT systems support	2 394 771	1 390 518
Value-Added Tax services	-	66 331
Refuse removal and landfill site maintenance	4 678 212	4 366 177
Outsourced electricity services	546 772	552 385
Maintenance of parks and gardens	6 490 629	4 592 991
Total Contracted Services	20 374 486	17 122 622

34 Grants and subsidies paid

Free basic services to indigents	2 450 840	2 913 255
Total Grants and Subsidies Paid	2 450 840	2 913 255

35 General expenses

Advertising	144 094	654 075
Audit committee fees	237 165	121 470
Audit fees	1 575 335	1 431 065
Bank charges	272 821	155 570
Cleaning	289 701	282 006
Consulting and professional fees	752 012	3 058 896
Electricity and refuse	1 274 836	831 320
Expanded Public Works Programme	5 863 618	1 919 522
Fuel and oil	1 528 285	1 105 664
Hire of equipment	620 741	1 294 821
Insurance	839 440	723 750
Legal expenses	339 944	1 047 065
Licence fees	224 950	255 793
Postage and courier	15 934	9 540
Printing and stationery	897 176	956 137
Public Participation	3 797 856	3 013 580
Refreshments	252 550	275 709
Rental of office equipment	1 006 922	870 230
Security - cash banking	166 598	115 448
Shared services	235 610	-
Subscriptions and membership fees	836 421	538 877

General expenses (Continued)

Telephone and fax	917 754	840 336
Training	1 393 184	1 560 180
Transport	541 933	542 959

Travel and subsistence	6 575 671	5 321 847
Uniforms and overalls	547 744	304 628
Ward Upliftment and LED projects	3 428 519	3 452 371
Water and Sanitation	539 133	200 551
Other	3 353 333	2 100 288
Total General Expenses	38 469 280	32 983 698

36 (Profit)/Loss on disposal of assets

Property, plant and equipment	(276 768)	508 876
Total Loss on Sale of Assets	(276 768)	508 877

37 Impairment loss

Property, plant and equipment	43 062	616 620
Total Impairment loss	43 062	616 620

38 Fair value gain

Investment property carried at fair value	7 270 000	3 400 000
Total Profit on Fair Value Adjustment	7 270 000	3 400 000

39 Cash generated by operations

Surplus for the year	61 911 324	51 544 566
Adjustment for:-		
Depreciation and amortisation	7 606 150	6 795 484
Interest income	(7 363 970)	(6 209 746)
(Gain)/Loss on sale of assets	(276 768)	508 877
Contribution to provisions - non-current	(492 149)	1 305 675
Debt impairment	9 952 999	7 254 124
Finance costs	(570 283)	3 318 697
Fair value adjustments	(7 270 000)	(3 400 000)
Impairment loss	43 062	616 620
Non-cash items	-	3 718 241
Operating surplus before working capital changes:	63 540 365	65 452 538
Decrease in inventories	-	227 612
(Decrease)/Increase in exchange receivables	(1 532 777)	(4 482 814)
(Decrease)/Increase in non-exchange receivables	(6 582 531)	(13 716 096)
(Increase)/Decrease in prepayments	(40 094)	82 420
Increase in exchange payables	708 105	14 363 044
Decrease in consumer deposits	1 324 222	(52 252)
Increase in VAT refundable	(5 841 930)	(5 770 760)
Cash generated by operations	51 575 360	56 103 692

40 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	9 774 199	13 137 115
Net cash and cash equivalents	9 774 199	13 137 115

There was no bank overdraft outstanding at the end of the financial year.

41 Correction of prior period errors

The comparatives for 2014/15 have been restated in respect of the following errors:

Trade and other receivables from exchange transactions

In the previous set of financial statements for the year ended 30 June 2015, the figure indicated under trade and other receivables from exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	10 065 430
Correction of error: Service charges reversed	(2 007 598)

Restated balance	8 057 832
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Trade and other receivables from non-exchange transactions

In the previous set of financial statements for the year ended 30 June 2015, the figure indicated under trade and other receivables from non-exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	61 126 992
Correction of error: Rates not charged in the previous year	1 256 728
Correction of error: Debt in respect of Integrated Electricity Programme reversed	(14 549 302)

Restated balance	47 834 418
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VAT refundable

After the compilation and submission of the annual financial statements for the year ended 30 June 2015, it became apparent that the VAT was misstated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	7 816 973
Correction of error: VAT refundable understated in previous years	266 689

Restated balance	8 083 662
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Property, plant and equipment

In the previous set of financial statements for the year ended 30 June 2015, the figure indicated under property, plant and equipment, was incorrectly stated. This was corrected and the balance is restated as follows:

The comparative amount has been restated as follows:

Closing balance as at 30 June 2015	254 740 544
Correction of error: Cost	(1 225 582)
Correction of error: Accumulated depreciation	445 107

Restated balance	253 960 076
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Trade and other payables from exchange transactions

After the compilation and submission of the annual financial statements for the year ended 30 June 2015, it became apparent that the trade and other payables from exchange transactions was mistated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	35 515 922
Correction of error: Expenditure understated in previous years	706 418
Restated balance	36 222 340

Unspent conditional grants and receipts

After the compilation and submission of the annual financial statements for the year ended 30 June 2015, it became apparent that the conditional grants were mistated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	11 098 392
Correction of error: Expenditure understated in previous years	(762 719)
Restated balance	10 335 673

Provisions

After the compilation and submission of the annual financial statements for the year ended 30 June 2015, it became apparent that the provisions were mistated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2015	9 243 186
Correction of error: Expenditure understated in previous years	423 493
Restated balance	9 666 679

Statement of Financial Performance:

Service charges

Service charges previously reported	35 391 497
Correction of error: Refuse and electricity income mistated	(1 465 514)
Effect on financial performance	33 925 983

Other income from exchange transactions

Other income previously reported	2 028 461
Correction of error: Other income incorrectly recognised and now adjusted	(11 192)
Effect on financial performance	2 017 269

Property rates

Property rates previously reported	25 179 460
Correction of error: Property rates incorrectly recognised and now adjusted	1 275 783
Effect on financial performance	26 455 243

Government grants and subsidies

Government grants and subsidies previously reported	137 941 820
Correction of error: Conditional grants incorrectly recognised and now adjusted	762 719
Revenue recognised in respect of electricity grant reversed	(7 532 830)
Effect on financial performance	131 171 709

Depreciation and amortisation

Depreciation and amortisation previously reported	7 240 145
Correction of error: Depreciation in respect of electricity infrastructure misstated	(444 661)
Effect on financial performance	6 795 484

Repairs and maintenance:

Repairs and maintenance previously reported	6 505 568
Correction of error: Repairs and maintenance not accrued in 2014/15	112 796
Effect on financial performance	6 618 364

Finance charges:

Finance charges previously reported	2 895 204
Correction of error: Interest on Sars provision	423 493
Effect on financial performance	3 318 697

Contracted services:

Contracted services previously reported	16 887 622
Correction of error: Contracted services not accrued in 2014/15	235 000
Effect on financial performance	17 122 622

General expenses:

General expenses previously reported	32 781 834
Correction of error: General expenses not accrued	201 864
Effect on financial performance	32 983 698

After all corrections of errors and changes in accounting policies are accounted for, the restated accumulated surplus as at 30 June 2015, will be as follows:

Statement of Changes in Net Assets

Closing balance as at 30 June 2015	338 944 795
Correction of error	(16 073 822)
Restated balance 30 June 2016	322 870 973

42 Unauthorised, irregular, fruitless and wasteful Expenditure**42.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	31 701 905	14 871 978
-----------------	------------	------------

Unauthorised expenditure current year	13 971 143	15 895 559
Prior year corrections	-	934 368
Condoned or written off by Council	(31 701 905)	-
Unauthorised expenditure awaiting authorisation	13 971 143	31 701 905

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled accordance with section 23(6) of the Budget and Reporting Regulations. Despite the significant overspending on some of the votes, the total expenditure exceeded the budget by an insignificant amount.

42.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	296 167	236 050
Fruitless and wasteful expenditure current year	108 179	60 117
Condoned or written off by Council	(60 117)	-
Fruitless and wasteful expenditure awaiting condonement	344 229	296 167

The fruitless and wasteful expenditure incurred during the current has not yet been presented to council. The following incidents occurred in the previous year and have not yet been finalised.

Incident proceedings	Disciplinary steps/criminal
Payment for refuse drums over to lawyers for collection	Handed
Payment for accommodation over to lawyers for collection	Handed
Interest on late payments	
Condoned	

42.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	55 804 889	37 716 340
Irregular expenditure current year	24 429 755	18 088 549
Condoned or written off by Council	(55 804 889)	-
Irregular expenditure awaiting condonement	24 429 755	55 804 889

Incident steps/criminal proceedings	Disciplinary
<i>Non-adherence to Supply Chain Regulations</i>	<i>None</i>

The councillors referred the irregular expenditure incurred prior to 2015/16 to MPAC for investigation. The irregular expenditure was also submitted to the MEC for Cogta and National Treasury for condonement during 2015/16. The irregular expenditure for the current year has yet to be presented to council.

43 Supply chain management regulations - Other Matters

Paragraph 13(c)(iii) of Government Gazette No. 27636 issued in May 2005 indicates that a supply chain management policy must state that a municipality may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Paragraph 45(a), (b) and (c) of Government Gazette No. 27636 issued in May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2,000 to a person who is a spouse, child, parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Awards to employees from other organs of state

Isiphepheloethu Trading - KZN		
Department of Education	-	12 256
Xoliniques Trading cc - Transnet	-	28 000
Amathembela Amahle Family		
Trading Enterprise	-	2 000
D M Lushaba - South African Post		
Office	-	2 738
E Tise - National Heritage Council	-	11 970
Dzeworx Construction - KZN Social		
Development	168 575	-
Sobethu Mgazi (Pty) Ltd - KZN		
Education	21 800	-
W W Mgijija (Pty) Ltd - South		
African Post Office Ltd	1 900	-
Help Africa Companies (Pty) Ltd -		
Ekurhuleni Metro	25 972	-
P Gerhadus - Mossel Bay		
Municipality (Imesa)	12 500	-
N E Dlamini - National Public		
Works & Administration	700 979	
B E Ngobese - KZN Education	232 558	
	1 164 284	56 964

44 Additional disclosures in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	500 000	-
Council subscriptions	-	500 000
Amount paid - current	(500 000)	-
Balance unpaid (included in payables)	-	500 000

Audit fees

Opening balance	-	-
Current year audit fee	1 575 335	1 431 065
Amount paid - current year	(1 575 335)	(1 431 065)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

VAT refundable

VAT refundable is shown in note 14. All VAT returns have been submitted by the due date throughout the year.

The municipality is on the payment basis.

PAYE and UIF

Opening balance	587 340	457 590
Current year payroll deductions	8 910 354	7 338 998
Amount paid - current year	(9 514 679)	(7 209 248)
Adjustment	788 864	-
Balance unpaid (included in payables)	771 879	587 340

The balance represents PAYE and UIF deducted from the June 2016 payroll. These amounts were paid during July 2016.

Pension and Medical Aid Deductions

Opening balance	639 810	530 428
Current year payroll deductions and Council Contributions	5 544 733	7 672 785
Amount paid - current year	(5 486 792)	(7 563 403)
Adjustment	356 646	-
Balance unpaid (included in payables)	1 054 397	639 810

The balance represents pension and medical aid contributions deducted from employees in the June 2016. These amounts were paid during July 2016.

Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
	R	R	R
as at 30 June 2016			
Cllr N J Mkhwanazi	545	545	-
Cllr B Mvelase	145	145	-
Cllr K E Nxumalo	412	412	-
Cllr Z L Nxumalo	130	130	-
Cllr A Z Thabede	2 061	2 061	-
Cllr C N Mavundla	374	374	-
Total Councillor Arrear Consumer Accounts	3 667	3 667	-

Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
	R	R	R
as at 30 June 2015			
Cllr N J Mkhwanazi	258	258	-
Cllr K E Nxumalo	390	390	-
Cllr Z L Nxumalo	123	123	-
Cllr A Z Thabede	2 256	2 256	-
Cllr C N Mavundla	354	354	-

Total Councillor Arrear Consumer Accounts	3 381	3 381	-
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45 Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for (Exclusive of VAT)

	21 418 640	11 164 833
Infrastructure	15 414 035	6 529 535
Community	6 004 605	4 635 298
Other	-	-

Approved but not yet contracted for (Exclusive of VAT)

	86 129 000	142 461 300
Infrastructure	66 000 500	96 171 700
Community	17 796 500	26 085 100
Other	2 332 000	20 204 500

Total	107 547 640	153 626 133
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This expenditure will be financed from:

Government Grants	72 797 844	133 421 633
External loans	32 417 796	13 550 000
Own resources	2 332 000	6 654 500
Total source of funds	107 547 640	153 626 133

46 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	516 356	459 436
In the second to fifth year inclusive	223 621	586 925
After five years	-	-
Total	739 977	1 046 361

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its equipment and warehouse. Leases in respect of equipment are not renewable whereas the lease in respect of the warehouse is renewed annually. No contingent rent is payable.

Operating leases – as lessor

Minimum lease payments due

Within one year	-	-
In second to fifth year inclusive	-	-
After five years	-	-
Total	-	-

Operating Leases consists of the following:

Certain of the municipality's property is held to generate rental income. Rental income recognised from major operating leases has not been accounted for on the straight-line basis over the lease terms because the lease agreements had expired and in the process of being renewed. There are contingent rents receivable.

47 Traffic fines

Fines recoverable at beginning of year	716 224	455 049
Less: Receipts during the year	(231 450)	(96 028)
	<u>484 774</u>	<u>359 021</u>
Fines recoverable raised during the year	255 936	357 203
Less: Impairment	(484 774)	-
Fines recoverable at end of year	255 936	716 224

The recoverability of traffic fines is uncertain. 14.52% (2015: 15.1%) of the total outstanding fines are considered recoverable, in accordance with a 3 year trend analysis, and have been accrued.

48 Employee benefit Obligation

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Thus, some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception.

This is in line with the exemption in GRAP 25 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

Pension benefits

The Municipality's personnel are members of one of the pension funds listed below:

- KwaZulu-Natal Joint Municipal Pension Fund
- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Government Employees Pension Fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure

information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2015 actuarial valuations have not yet been released.

Superannuation Fund

The interim valuation carried out on the Superannuation Fund as at 31 March 2015 reflected:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

Retirement and Provident Fund

The latest statutory valuation of the Retirement/Provident Fund (defined contribution) as at 31 March 2015 revealed that:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

The following are defined benefit plans:

Long service benefits

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. The valuation was performed in line with GRAP 25 Employee benefits by KPMG Services (Pty) Ltd as at 30 June 2016.

The fund benefit liability as at 30 June 2016 has been discounted at the rate determined by using the yield curve determined by the Bond Exchange of South Africa.

	2017 Projected	2016	2015
Changes in the present value of the defined benefit obligation are as follows:			
Opening balance	735 074	578 651	439 079
Service cost	101 993	77 709	62 439
Interest cost	67 627	48 491	38 957
Actual gains or losses recognised	-	74 049	53 967
Benefits paid	-	(43 826)	(15 791)
Total contributions expensed to the Statement of Financial Performance	904 694	735 074	578 651
The amounts recognised in the statement of financial performance			
Service cost	101 993	77 709	62 439
Interest	67 627	48 491	38 957
Actuarial (gain)/loss recognised	-	74 049	53 967
Amount recognised in the statement of financial performance	169 620	200 249	155 363

Reconciliation of net statement of financial position amount

Opening value	735 074	578 651	439 079
Amount recognised in statement of financial performance	169 920	200 249	155 363
Payment made to pensioners	-	(43 826)	(15 791)
Closing value	904 994	735 074	578 651

Principal actuarial assumptions:

Assumptions used at the reporting date:

Discount rate used	9,20%	9,00%
Salary inflation	8,20%	8,00%

Principal actuarial assumptions:

Sensivities

1% increase in discount rate		
- Increase in defined benefit obligation	641 757	508 532
- Percentage	-12,7%	-12,1%
1% decrease in discount rate		
- Decrease in defined benefit obligation	847 032	663 006
- Percentage	15,2%	14,4%
1% decrease in salary inflation		
- Decrease in defined benefit obligation	643 116	509 476
- Percentage	-12,5%	-12,1%

Medical benefits

Included in defined contribution plan information is the above plan which is a multi-year employer fund and is a defined benefit plan, but due to the fact sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan. The municipality accounted for this plan as a defined contribution plan.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by KPMG Services (Pty) Ltd

	2017 Projected	2016	2015
Present value of funded obligations	3 103 740	3 025 320	2 618 513
Total present value of obligations	- 3 103 740	3 025 320	2 618 513
Liability for defined benefit obligations in the statement of financial position	- 3 103 740	3 025 320	2 618 513

Changes in the present value of the defined benefit obligation are as follows:

	2015	2016	2017
Opening value	3 025 320	2 618 513	2 502 512
Interest costs	278 329	227 154	217 350
Actuarial losses/(gains)	-	368 822	73 668
Benefits paid	(199 909)	(189 169)	(175 017)
Closing value	3 103 740	3 025 320	2 618 513

**Expenses and income
recognised in surplus for the
period**

Current service costs			
Interest costs	278 329	227 154	217 350
Actuarial gains and losses	-	368 823	73 668
Amount recognised in income statement	278 329	595 977	291 018

**Reconciliation of net balance
sheet amount**

Opening value	3 025 320	2 618 513	2 502 512
Amount recognised in income statement	278 329	595 976	291 018
Payment made to pensioners	(199 909)	(189 169)	(175 017)
Closing value	3 103 740	3 025 320	2 618 513

Principal actuarial assumptions:

Discount rate used	9,20%	9,00%
Salary inflation	8,20%	8,00%

**Sensitivity to medical inflation
assumptions**

1% increase in medical inflation	3 402 774	2 944 590
Percentage	12,5%	12,5%
1% decrease in medical inflation	2 709 455	2 344 672
Percentage	-10,4%	-10,5%
1% increase in Discount rate	2 703 694	2 360 381
Percentage	-10,6%	-9,9%
1% decrease in Discount rate	3 416 784	2 930 668
Percentage	12,90%	11,92%
Mortality less 2 years	3 234 787	2 814 537
	8,63%	7,49%

49 Contingent liabilities

**Claim for damages to properties
caused by storm**

The community of Ncotshane Township is claiming from the municipality damages caused to their properties by a heavy storm as a result of poor drainage system. The estimated amount of the claim is R842 980.

Claim for breach of contract

Mayibuye Earthworks cc - this is a claim for damages in the amount of R2 062 915.34 excluding VAT against the municipality for breach of contract. The matter is defended by Council's attorneys.

**Claim for use of private property
without agreement**

The Impala Water Users Association - this is a claim for the amount of R5 606.11 for the use of private property by the municipality without entering into a formal lease agreement with the owner of the property.

Claim for damages to vehicle

This is a claim for damages in the amount of R92 163.42 whereby the municipal vehicle collided with the private passenger vehicle owned by the claimant.

Claim for damages to private property

This is a claim against the municipality for damages to telephone cables allegedly caused by the municipal employees. The amount of the claim is R120 958.

Claim for services rendered but not paid for

Lekwa Consulting Engineers is claiming from the municipality the amount of R612 175.93 for services rendered. The municipality is disputing this claim since the consult was dismissed for shoddy work before incurring the alleged costs.

Claim for the balance of the contract price

Isibili Developments were contracted to construct a flea market but were dismissed before the completion of the project due to lack of performance. They are now claiming R617 464.36 representing the balance of the contract price.

50 Contingent asset

Lessor - rental agreements

The municipal has submitted all expired lease agreements to its legal advisors to determine the recovery of rentals in arrear. These lease agreements expired in the previous financial years and were never renewed. The recoverable amount cannot be estimated accurately.

51 In-kind donations and assistance

The Municipality received the following in-kind donations and assistance:

	2016	2015
Khabokedi Waste Management (Pty) Ltd	-	173 265
Total public contributions and donations	-	173 265
Major Classes		
Computer equipment	-	84 369
Furniture and equipment	-	19 836
Other assets	-	69 060
	-	173 265

Description

Department of Cooperative Governance and Traditional Affairs

- Implementation of Back to Basics (Service Delivery)
- Monthly review of reconciliations and compliance with MFMA and SCM Regulations

Provincial Treasury

- Monitoring the implementation of the Supply Chain Management Regulations.
- Implementation of cash management.
- Review of VAT for the past five years.

52 Events after the reporting date

There were no events that occurred subsequent to year end that materially affected fair presentation of annual financial statements as at 30 June 2016. Subsequent to year end, the National Treasury disallowed the rollover of the MIG unspent funds - refer note 16.

53 Key sources of estimation uncertainty and judgments

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions
- Other

54 Risk Management

Maximum credit risk exposure

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

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

Capital risk management

The municipality's objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 22, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

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

	2016	2015
Consumer deposits	1 724 477	400 255
Trade payables from exchange transactions	37 545 658	36 222 340
Current portion of long-term borrowings	243 236	432 497
Current portion of finance lease liability	3 399 017	1 522 869
Non-current portion of long-term borrowings	-	76 719
Non-current portion of finance lease liability	3 745 217	1 659 646

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.

The municipality's interest rate risk arises from long-term borrowings. 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. Municipality policy is to maintain approximately all of its borrowings in fixed rate instruments where possible.

Credit risk

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

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

At year end, the maximum exposure to credit risk was as follows:

	2016	2015
Cash and cash equivalents	9 774 199	13 137 115
Trade and other receivables from exchange transactions	69 632 898	60 587 180
Trade and other receivables from non-exchange transactions	54 521 903	33 285 116
Long term receivables from exchange transactions	3 503 616	3 663 258
Total credit risk exposure	137 432 616	110 672 669

55 Reclassification of information

After the compilation of the financial statements for the year ended 30 June 2016, it became apparent that certain items of property, plant and equipment were incorrectly classified as shown below:

Statement of Financial Position:	
Buildings previously reported	22 419 681
Reclassification: amount transferred to infrastructure	(304 976)
Effect on financial position	22 114 705
Statement of Financial Position:	
Infrastructure previously reported	94 765 208
Reclassification: amount transferred from buildings, asset under construction and other assets	976 164
Effect on financial position	95 741 372
Statement of Financial Position:	
Assets under construction previously reported	87 505 299
Reclassification: amount transferred to infrastructure	(671 196)
Effect on financial position	86 834 103
Statement of Financial Position:	
Other assets previously reported	17 075 330
Reclassification: amount transferred from buildings	8
Effect on financial position	17 075 338
Statement of Financial Position:	
Non-current receivables previously reported	-
Reclassification: amount transferred from trade creditors	107 328
Effect on financial position	107 328
Statement of Financial Position:	
Trade creditors previously reported	
Reclassification: amount transferred to non-current receivables	(107 328)
Effect on financial position	(107 328)

56 Going concern

Attention is drawn to the fact that at 30 June 2016, the municipality had cash resources of R9 774 199 (2015: R13 137 115 and current liabilities of R61 572 064 (2015: R58 213 121). This meant that the municipality was not in a position to meet its current obligations as at that date.

The 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 liabilities and commitments will occur in the ordinary course of business.

57 Budget differences

The comparison of the Municipality's actual financial performance with that budgeted is set out on page 11.

Material differences between budget and actual amounts

The actual expenditure over the final approved budget was 99%.

Material differences was considered for variances above 5% in the budget statement.

Revenue

58.1 The increase in service charges is attributable to the increase in rates/tariffs as well

58.2 Rental of facilities and equipment increased due to increased demand for community halls and changes in approved rates/tariff and market stalls added to revenue streams.

58.3 Interest from external investments decreased to less funds invested in call accounts.

58.4 Interest earned on outstanding debtors increased mainly due to increased level of outstanding receivables.

58.5 Other income from exchange transactions increased mainly due to KZN subsidy and anticipated revenue from tender documents. Overall sundry revenue increased more than anticipated.

58.7 Property rates increased due to increase in property values and changes in rates category.

58.8 Fines revenue collected decreased during the year. The collection of fines depends mainly on the decision of the magistrates office.

58.9 Government grants and subsidies allocation increased.

Expenditure

58.10 Employee related costs increased due to increase in staff complement and general increase in salary scales.

58.11 Repairs and maintenance increased as a results of increase in motor vehicle fleet and road maintenance including signs.

58.12 Finance changes decreased due to the reversal of interest charged by Sars in the previous year.

58.13 The increase in contracted services is attributable to increased VIP protection expenditure, refuse removal and grass-cutting services.

58.14 General expenses: Increases over 10% of prior year expenditure:

Advertising	Less advertising was undertaken during the year under review
Audit committee fees	Number of special meetings increased and the appointment of an additional member.
Audit fees	The increase is attributable to inflation and volume of work undertaken as per the audit plan presented
Bank charges	Speedpoints were installed at the cashier's office and traffic department to enable customers to pay using bank cards
Consulting and professional fees	Less consultants in compliance with the request by National Treasury that the use of consultants should be decreased.
Electricity and refuse	The increase is due to the increase in tariff approved by NERSA and wastage by staff leaving offices without switching off the lights and airconditioners
Expanded Public Works Programme	The EPWP grant allocation increased hence the the increase in expenditure

Fuel and Oil	Increase is due to increase in motor vehicle fleet and machinery.
Hire of equipment	Increase in own fleet has resulted in the decrease in the hire of equipment and machinery
Insurance	The increase is partly due to inflation and increase in assets.
Legal fees	Fewer matters were referred to the lawyers during the year.
Postage and courier	Increase due to use of postage stamps franking machine for the first time
Public participation	National Treasury encourages municipalities to be continually in contact with the community, hence the increase in expenditure
Refreshments	The municipality stopped the provision of beverages to its staff
Rental of office equipment	The increase is due to inflation
Security - banking services	The money is now banked in Richards Bay and not uPhongolo branch anymore, hence the increase in the security cost
Shared services	The municipality was never invoiced for shared services in the previous year. The invoice only discloses the expenditure for the year under review
Subscriptions and membership fees	The increase is attributable to the Salga levy which is based on the salaries budget which increased for the year under review
Telephone and fax	Increase is attributable mainly to inflation
Training	Decrease is due to a number of officials having completed the CPMD training
Travel and subsistence	The increase is moderate and is a combination of increased number of meetings as well as transport costs.
Uniforms and overalls	More protective clothing was purchased due to the increase in the number of general workers
Water and sanitation	The municipality took the decision to pay for water accounts owing by its own staff since the District Municipality demanded payment from the municipality for arrears
Other	The increase is mainly attributable to accommodation and communication expenditure (R1.55m).

58 Deviation from supply chain management regulations

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

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

During the year certain expenditure as outlined in appendix F was incurred and the process followed by incurring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Deviations for the current year	908 075	949 260
Approved by Accounting Officer	(908 075)	(949 260)
Balance carried forward	-	-

uPhongolo Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2015	Received during the period	Redeemed / written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R	R	R	R	R	R
Amalgamated Banks of South Africa (Absa)	8061728158		509 216	35 697	(301 677)	243 236	-	-
Total long-term loans			509 216	35 697	(301 677)	243 236	-	-

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2016

	Cost / Revaluation							Accumulated Depreciation and Accumulated Impairment						Carrying Value
	Opening Balance	Additions	Disposals	Prior year Adjustment	Work in Progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
	R	R	R			R	R	R	R	R	R	R	R	R
Land														
Land	64 593 299	-	-	-	-	-	64 593 299	-	-	-	-	-	-	64 593 299
Landfill Sites	948 179	-	-	-	-	-	948 179	-	-	-	-	-	-	948 179
	65 541 478	-	-			-	65 541 478	-	-	-	-	-	-	65 541 478
Buildings	22 114 905	147 500	-	-	5 417 956	-	27 680 361	(7 689 669)	(951 114)	-	(36 269)	:	(8 677 052)	19 003 309
							-							-
Infrastructure							-							-
Roads & Storm Water	81 354 055	666 516	-	-	-	-	82 020 571	(12 528 792)	(3 941 580)	-	-		(16 470 372)	65 550 199
Electricity Mains	14 285 099	148 323	-	-	-	-	14 433 422	(6 474 359)	(536 486)	-	(6 793)		(7 017 648)	7 415 774
Solid Waste Disposal	-	315 800					315 800	-	(4 544)				(4 544)	311 256
	95 639 154	1 130 639	-	-	-	-	96 769 793	(19 003 151)	(4 482 610)	-	(6 793)	-	(23 492 564)	73 277 229
Under construction														
Buildings	18 903 378	15 941 861	-	-	(5 435 360)	-	29 409 879	-	-	-	-	-	-	29 409 879
Roads & Storm Water	38 179 598	18 049 136	-	-	-	-	56 228 734	-	-	-	-	-	-	56 228 734
Electricity Mains	30 070 630	17 541 924	-	-	-	-	47 612 554	-	-	-	-	-	-	47 612 554
	87 153 606	51 532 921	-	-	(5 435 360)	-	133 251 167	-	-	-	-	-	-	133 251 167
Community Assets														
Parks & Gardens	-	-	-			-	-	-	-	-	-	-	-	-
Libraries	-	-	-			-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-			-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-			-	-	-	-	-	-	-	-	-
Stadiums	-	-	-			-	-	-	-	-	-	-	-	-
Halls	-	-	-			-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-			-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	270 449 143	52 811 060	-		(17 404)	-	323 242 799	(26 692 820)	(5 433 724)	-	(43 062)	-	(32 169 616)	291 073 183

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2016

	Cost / Revaluation							Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Prior year Adjustment	Work in Progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
Total brought forward	R 270 449 143	R 52 811 060	R -		(17 404)	R -	R 323 242 799	R (26 692 820)	R (5 433 724)	R -	R (43 062)	R -	R (32 169 616)	R 291 073 183
Other Assets														
Furniture & Fittings	2 728 511	492 337				-	3 220 848	(1 554 300)	(321 349)	-	-	-	(1 875 649)	1 345 199
Machinery & Equipment	6 398 980	3 616 626	(1 963)		17 404	-	10 031 047	(2 722 904)	(652 646)	1 851	-	-	(3 373 699)	6 657 348
Motor Vehicles	6 202 984	2 390 916	(74 611)			-	8 519 289	(1 748 568)	(835 578)	58 073	-	-	(2 526 073)	5 993 216
Computer Equipment	1 744 856	609 251	(20 482)			-	2 333 625	(845 806)	(310 593)	4 364	-	-	(1 152 029)	1 181 596
	17 075 331	7 109 130	(97 056)	-	17 404	-	24 104 809	(6 871 578)	(2 120 166)	64 288	-	-	(8 927 450)	15 177 359
Finance Lease Assets														
Machinery & Equipment	-	-	-			-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-			-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	287 524 474	59 920 190	(97 056)	-	-	-	347 347 608	(33 564 398)	(7 553 890)	64 288	(43 062)	-	(41 097 066)	306 250 542

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uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2015

	Cost / Revaluation						Accumulated Depreciation and Accumulated Impairment							Carrying Value
	Opening Balance	Additions	Disposals		Work in progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
	R	R	R			R	R	R	R	R	R	R	R	
Land	64 623 299	-	(30 000)		-	-	64 593 299			-	-	-	-	64 593 299
Landfill Sites	948 179	-	-	-		-	948 179		-	-	-	-	-	948 179
	65 571 478	0	(30 000)	-	0	0	65 541 478	0	0	0	0	0	0	65 541 478
Buildings	14 005 553		-		8 109 352	-	22 114 905	(7 111 585)	(482 901)	-	(95 183)	-	(7 689 669)	14 425 236
							-							
Infrastructure							-							
Roads	76 204 415		(408 097)		5 557 737	-	81 354 055	(12 719 642)	29 209	173 653	(12 012)	-	(12 528 792)	68 825 263
Electricity Mains	6 445 305		-		7 839 794	-	14 285 099	(1 511 059)	(4 479 618)	-	(483 682)	-	(6 474 359)	7 810 740
	82 649 720	-	(408 097)		13 397 531	-	95 639 154	(14 230 701)	(4 450 409)	173 653	(495 694)	-	(19 003 151)	76 636 003
Under construction														
Buildings	14 076 008	7 695 454	-		(7 695 454)	4 827 370	18 903 378	-	-	-	-	-	-	18 903 378
Roads & Storm Water	22 328 051	5 760 896	-		(5 760 897)	15 851 548	38 179 598	-	-	-	-	-	-	38 179 598
Electricity Mains	19 080 129	7 318 814	-		(7 318 814)	10 990 501	30 070 630	-	-	-	-	-	-	30 070 630
	55 484 188	20 775 164	-		(20 775 165)	31 669 419	87 153 606	-	-	-	-	-	-	87 153 606
Community Assets														
Parks & Gardens		-	-			-	-		-	-	-	-	-	-
Libraries		-	-			-	-		-	-	-	-	-	-
Recreation Grounds		-	-			-	-		-	-	-	-	-	-
Civic Buildings		-	-			-	-		-	-	-	-	-	-
Stadiums		-	-			-	-		-	-	-	-	-	-
Halls		-	-			-	-		-	-	-	-	-	-
Cemeteries		-	-			-	-		-	-	-	-	-	-
	-	-	-			-	-	-	-	-	-	-	-	-
Total carried forward	217 710 939	20 775 164	(438 097)		731 718	31 669 419	270 449 143	(21 342 286)	(4 933 310)	173 653	(590 877)	-	(26 692 820)	243 756 323

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2015

for the year ended 30 June 2015														
Cost / Revaluation								Accumulated Depreciation						
	Opening Balance	Additions	Disposal		Work in Progress Capitalise d	Under Constructio n	Closing Balance	Opening Balance	Depreciatio n	Dispos al	Impairment loss/Reversa l of impairment loss	Prior Year Adjustment s	Closing Balance	
Total brought forward	R 217 710 939	R 20 775 164	R (438 097)			R 31 669 419	R 270 449 143	R (21 342 286)	R (4 933 310)	R 173 653	R (590 877)	R -	R (26 692 820)	R 243 756 323
Other Assets														
Furniture & Fittings	2 340 243	388 268	-		-	-	2 728 511	(1 272 969)	(281 149)	-	(182)	-	(1 554 300)	1 174 211
Machinery & Equipment	6 052 842	349 516	(3 378) (315)		-	-	6 398 980	(2 137 213)	(561 640)	522	(24 573)	-	(2 722 904)	3 676 076
Motor Vehicles	6 169 388	348 972	376)		-	-	6 202 984	(1 011 056)	(783 347)	45 835	-	-	(1 748 568)	4 454 416
Computer Equipment	1 135 838	615 498	(6 480)		-	-	1 744 856	(640 266)	(208 997)	4 445	(988)	-	(845 806)	899 050
Other Assets	-	-	-		-	-	-	-	-	-	-	-	-	-
	15 698 311	1 702 254	(325 234)		-	-	17 075 331	(5 061 504)	(1 835 133)	50 802	(25 743)	-	(6 871 578)	10 203 753
Finance Lease Assets														
Machinery & Equipment		-	-			-	-	-	-	-	-	-	-	-
Motor Vehicles		-	-			-	-	-	-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-	-	-
Total	233 409 250	22 477 418	(763 331)		-	31 669 419	287 524 474	(26 403 790)	(6 768 443)	224 455	(616 620)	-	(33 564 398)	253 960 076

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uPhongolo Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2016

2015	2015	2015		2016	2016	2016
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
12 850 103	14 646 395	(1 796 292)	Executive & Council	16 965 295	9 841 786	7 123 509
2 375 055	2 614 341	(239 286)	Municipal Manager	3 807 777	4 218 402	(410 625)
44 782 618	25 663 843	19 118 775	Budget and Treasury	66 537 759	20 670 822	45 866 937
11 928 321	22 489 669	(10 561 348)	Corporate Services	14 641 678	26 704 185	(12 062 507)
5 367 524	5 326 804	40 720	Community & Social Services	8 497 564	18 385 143	(9 887 579)
2 626 194	6 907 059	(4 280 865)	Sport & Recreation	3 791 040	8 946 765	(5 155 725)
5 450 617	12 897 727	(7 447 110)	Public Safety	8 182 625	15 909 025	(7 726 400)
42 346 083	13 941 416	28 404 667	Planning & Development	58 636 455	20 418 099	38 218 356
8 355 093	10 738 856	(2 383 763)	Road Transport	12 905 120	12 520 063	385 057
54 767 943	26 969 780	27 798 163	Electricity	38 205 463	28 906 201	9 299 262
13 326 081	11 341 158	1 984 923	Waste Management	11 046 568	14 994 176	(3 947 608)
1 258 297	1 291 432	(33 135)	Other	2 063 757	1 855 110	208 647
205 433 929	154 828 480	50 605 449		245 281 101	183 369 777	61 911 324
-	-	-	Less: Inter-Department Charges	-	-	-
205 433 929	154 828 480	50 605 449	Total	245 281 101	183 369 777	61 911 324

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX E

BUDGET FINANCIAL PERFORMANCE BY MUNICIPAL VOTE
for the year ended 30 June 2016

	2015	2015	2015	2016	2016	2016
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenue						
Executive & Council	17 581 000	12 850 103	4 730 897	16 033 000	16 965 295	(932 295)
Municipal Manager	2 839 000	2 375 055	463 945	3 805 000	3 807 777	(2 777)
Budget and Treasury	44 462 225	44 782 618	(320 393)	51 619 051	66 537 759	(14 918 708)
Corporate Services	11 400 873	11 928 321	(527 448)	15 257 496	14 641 678	615 818
Community & Social Services	6 933 444	5 367 524	1 565 920	8 853 156	8 497 564	355 592
Sport & Recreation	3 402 497	2 626 194	776 303	3 626 796	3 791 040	(164 244)
Public Safety	6 388 182	5 450 617	937 565	8 234 663	8 182 625	52 038
Planning & Development	55 044 108	42 346 083	12 698 025	55 089 133	58 636 455	(3 547 322)
Road Transport	10 314 570	8 355 093	1 959 477	12 951 817	12 905 120	46 697
Electricity	38 973 651	54 767 943	(15 794 292)	56 010 907	38 205 463	17 805 444
Waste Management	9 857 221	13 326 081	(3 468 860)	10 593 260	11 046 568	(453 308)
Other	1 539 651	1 258 297	281 354	2 060 000	2 063 757	(3 757)
	208 736 422	205 433 929	3 302 493	244 134 279	245 281 101	(1 146 822)
Expenditure						
Executive & Council	18 174 928	14 646 395	3 528 533	11 004 904	9 841 786	1 163 118
Municipal Manager	4 313 088	2 614 341	1 698 747	4 134 666	4 218 402	(83 736)
Budget and Treasury	22 946 637	25 663 843	(2 717 206)	27 133 069	20 670 822	6 462 247
Corporate Services	19 371 064	22 489 669	(3 118 605)	25 885 182	26 704 185	(819 003)
Community & Social Services	8 361 884	5 326 804	3 035 080	17 039 300	18 385 143	(1 345 843)
Sport & Recreation	6 873 661	6 907 059	(33 398)	7 070 367	8 946 765	(1 876 398)
Public Safety	8 137 090	12 897 727	(4 760 637)	10 510 382	15 909 025	(5 398 643)
Planning & Development	13 163 771	13 941 416	(777 645)	15 970 579	20 418 099	(4 447 520)
Road Transport	13 267 130	10 738 856	2 528 274	17 302 273	12 520 063	4 782 210
Electricity	28 983 182	26 969 780	2 013 402	31 263 946	28 906 201	2 357 745
Waste Management	5 918 722	11 341 158	(5 422 436)	15 133 307	14 994 176	139 131
Other	2 335 262	1 291 432	1 043 830	2 363 425	1 855 110	508 315
	151 846 419	154 828 480	(2 982 061)	-	183 369 777	1 441 623

uPhongolo Local Municipality

APPENDIX F

UNSPENT CONDITIONAL GRANTS

as at 30 June 2016

Name of Grant	Unspent portion 2014/15 financial statements R	Adjustments and Transfers R	Receipts during the year R	Expenditure during the year R	Unspent portion 2015/16 financial statements R	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
Capital Grants									
Flea Market Grant	703 752		-	(492 139)	211 613	No	N/a	Yes	N/a
Municipal Infrastructure Grant	5 062 297	(318 008)	27 852 000	(30 124 960)	2 471 329	No	N/a	Yes	N/a
Integrated National Electrification Programme Grant	(14 549 302)	14 549 302	12 000 000	(12 000 000)	-	No	N/a	Yes	N/a
Mass Electrification Programme	-		10 000 000	(5 072 110)	4 927 890	No	N/a	Yes	N/a
Sub-Rank Facility Grant	2 043 138	(444 711)	-	(1 134 635)	463 792	No	N/a	Yes	N/a
Cultural Village Grant	1 063 879		4 500 000	(2 930 841)	2 633 038	No	N/a	Yes	N/a
Street Lights Grant	536 990		-	(108 768)	428 222	No	N/a	Yes	N/a
Sports Facility Grant	165 863		-	(165 863)	-	No	N/a	Yes	N/a
Sub-total	(4 973 383)	13 786 583	54 352 000	(52 029 316)	11 135 884				

Operating Grants									
Municipal Systems Improvement Grant	-		1 800 000	(1 800 000)	-	No	N/a	Yes	N/a
Finance Management Grant	-		930 000	(930 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490		-	-	490 490	No	N/a	Yes	N/a
Provincialisation of Libraries Grant	-		973 000	(973 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	-		340 000	(234 877)	105 123	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-		-	-	-	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	-		4 449 000	(4 449 000)	-	No	N/a	Yes	N/a
Zululand District Municipality Tourism Grant	-		-	-	-	No	N/a	Yes	N/a
Development Administration Grant	205 686		-	-	205 686	No	N/a	Yes	N/a
Integrated Electrification Redds	98 000		-	-	98 000	No	N/a	Yes	N/a
Tourism Grant Candover	290 862		-	-	290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848		-	-	93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104		-	-	123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864		-	-	72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621		-	-	47 621	No	N/a	Yes	N/a
Municipal Development Grant	100 000		-	-	100 000	No	N/a	Yes	N/a
Sub-total	1 522 475	-	8 492 000	(8 386 877)	1 627 598				
Total Grants	(3 450 908)	13 786 583	62 844 000	(60 416 193)	12 763 482				

uPhongolo Local Municipality

APPENDIX G

DEVIATION FROM PROCUREMENT PROCESSES

Supply Chain Management Regulation 42

as at 30 June 2016

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
	R			
Ikhwezi Local & Long Taxi Ass	54 700,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community
Ikhwezi Local & Long Taxi Ass	3 000,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community
Ikhwezi Local & Long Taxi Ass	2 400,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community
Excelsior Printers	9 109,00	Section 36(1)(a)(v) - Exceptional	Only supplier with municipal stamp for printing quotations	Finance
Best 2 Electrical cc	14 079,00	Section 36(1)(a)(i) - emergency	Emergency repairs to mini sub-station that supplies electricity	Technical
Best 2 Electrical cc	6 715,00	Section 36(1)(a)(i) - emergency	Emergency repairs to mini sub-station that supplies electricity	Technical
Ikhwezi Local & Long Taxi Ass	86 500,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community
Ikhwezi Local & Long Taxi Ass	20 300,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community
Ikhwezi Local & Long Taxi Ass	19 500,00	Section 36(1)(a)(ii) - sole provider	The Taxi Association is the sole provider of taxi transport	Community