

MKHAMBATHINI MUNICIPALITY

ANNUAL REPORT



2015/2016

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1.1 MAYOR'S FOREWORD



It is my pleasure to be presenting the 2015/2016 Annual Report of Mkhambathini Municipality.

Local government is synonymous with challenges as well as high expectations from the community and 2015/2016 has been no exception. The vision of Mkhambathini Municipality is by, the year 2020 Mkhambathini will be a sustainable developmental Municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development.

It is this vision that guided the Municipality in the 2015/2016 financial year and I am pleased to be able to report that the Municipality has made good progress towards the fulfilment of this vision under difficult circumstance such as a weak economy, rising costs and often unrealistic service delivery expectations.

Financially the Municipality has performed well in 2015/2016. It improved on its liquidity levels of the previous year and ended the year with a cash surplus of R 34 664 512.00, excluding non-cash transactions.

The Municipality has witnessed a steady spin offs on all projects that it planned to undertake in 2015/2016 resulting in moving from one of the non performing Municipality to a green status through Municipal Infrastructure Grant spending. Further to that the Municipality through continuous engagements with land owners was able to secure a land that was donated to the Municipality by Mr M Dukes to build a community hall in ward 4. The Municipality is still engaging with other farm owners to ensure that basic service delivery reaches those that resides in farm lands.

There is still a historical challenge of underdevelopment, intermittent maintenance of our infrastructure that the municipal administration is committed to overcome.

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

We are committed to improving our performance in the year ahead. We are confident that we will meet the expectations of our stakeholders as we drive implementation of our long, medium and short-term strategies. The Council has taken a robust approach in ensuring that all Council Committees remain functional and result

1.1 MUNICIPAL MANAGER'S OVERVIEW

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

Service Delivery Progress

There were a number of areas where remarkable achievement was attained. The Technical Services department has a mandate of implementing infrastructure programmes and projects of the Municipality. This is in line with the basic services and infrastructure investment priorities. The Department through the assistance of municipal manager's office was able to turn around the slow delivery and finalisation of projects. This was done through continuous engagement with our consultants and contractors, as a result the Municipality was able to move from a red status to a green status by end of May 2016 through MIG reporting.

Our gratitude goes to Impendle Municipality who was able to afford us on a temporary basis the services of its Technical Services Manager. Furthermore a planning and development shared service model led by uMngeni Municipality have assisted the Municipality in the speedy implementation of the Spatial Planning and Land Use Management Act 16 of 2014.

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

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

Ms T. C. Ndlela

Municipal Manager

MUNICIPAL FUNCTIONS

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

Whilst the Local Municipality is tasked with the day to day delivery, it also coordinates its activities with the district and also seeks guidance on issues that affects the delivery of service of a local Municipality. The Municipal functions are indicated below:

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

POPULATION BY AREA

Table 2- Population by Area Ward 1

| Characteristics | Cabazini | Chibini | Esinyaneni | Maqongo | Esitingini |
|----------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| Total Population | 1334 | 3717 | 1367 | 1307 | 2848 |
| Young (0-14) | 35.2% | 36.9% | 32.8% | 30.3% | 37.7% |
| Working Age (15-64) | 61.2% | 59.4% | 61.9% | 64.6% | 57.9% |
| Elderly (65+) | 3.6% | 3.8% | 5.3% | 5.1% | 4.3% |
| Dependency Ration | 63.3 | 68.4 | 61.6 | 54.7% | 72.6 |
| Sex Ration | 84.4 | 80.8 | 92.4 | 89.7 | 92.7 |
| Population Density | 1350 persons/km2 | 810 persons/km2 | 562 persons/km2 | 1406 persons/km2 | 859 persons/km2 |

Table 3: Population by Area Ward 2

| Characteristics | Abobhuzi | Manzanyama | Nagle | Ogweqweni | Ophokweni A |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Population | 2088 | 328 | 86 | 5922 | 2369 |
| Young (0-14) | 31.8% | 33.3% | 3.5% | 33,1% | 34.4% |
| Working Age (15-64) | 63.3% | 61.8% | 96.5% | 61.8% | 61.9% |
| Elderly (65+) | 4.9% | 4.9% | 0% | 5% | 3.7% |
| Dependency Ration | 57.9 | 61.9 | 3.6 | 61.8 | 61.6 |
| Sex Ration | 85.3 | 78.3 | 126.3 | 86.6 | 90.3 |

Table 6: Population by Area Ward 5

| Characteristic | Total Population | Young (0-14) | Working Age (15-64) | Elderly (65+) | Dependency Ratio | Sex Ratio | Population Density |
|----------------|------------------|--------------|---------------------|---------------|------------------|-----------|-----------------------------|
| Ezinembeni | 1965 | 36.3% | 57.5% | 6.2% | 73.9 | 78.8 | 307 persons/km ² |
| Mahlabathini | 14465 | 19.8% | 76.4% | 3.8% | 30.9 | 112.4 | 22 persons/km ² |

Table 7- Population by Area Ward 6

| Characteristics | Dwengu | Makhohweni | Mahlabathini | Mpangisa | Simondi |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total Population | 620 | 2117 | 259 | 848 | 669 |
| Young (0-14) | 38.1% | 34.8% | 39% | 37.5% | 35% |
| Working Age (15-64) | 56.5% | 59.6% | 56.8% | 58.4% | 58.6% |
| Elderly (65+) | 5.5% | 5.6% | 4.2% | 4.1% | 6.4% |
| Dependency Ratio | 77.1% | 67.8 | 76.2 | 71.3 | 70.7 |
| Sex Ratio | 81.8 | 95.5 | 104.7 | 90.1 | 92.2 |
| Population Density | 138 persons/km ² | 977 persons/km ² | 401 persons/km ² | 137 persons/km ² | 307 persons/km ² |

Table 9- Population by Area

| Characteristics | Ophikweni B | Shayamoya | White City |
|----------------------------|--------------------|-------------------|---------------------|
| Total Population | 956 | 390 | 1411 |
| Young (0-14) | 32.6% | 34.9% | 36.4% |
| Working Age (15-64) | 61.3% | 60% | 59% |
| Elderly (65+) | 6.2% | 5.1% | 4.6% |
| Dependency Ration | 63.2 | 66.7 | 69.4 |
| Sex Ration | 86.2 | 79.3 | 76.8 |
| Population Density | 302 persons/km2 | 42 persons/km2 | 1364 persons/km2 |

POPULATION RACE GROUPING

Table 10: Population by Race

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

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

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

EDUCATIONAL LEVEL PER AREA

Table 12- Educational Level by Area

| Characteristics | Abebhuzi W2 | Cabazini W1 | Camperdown W3 | Chibini W1 | Gulube W7 | Entshongeni W7 |
|----------------------------------|----------------|----------------|------------------|---------------|--------------|-------------------|
| Total Population | 2088 | 1334 | 2101 | 3717 | 769 | 577 |
| No schooling aged 20+ | 24.3% | 16.2% | 4.3% | 13.7 | 14.7% | 27.6% |
| Higher Education aged 20+ | 4.5% | 2.1% | 18% | 7.2 | 3.8% | 2.2% |
| Matric Aged 20+ | 27.8% | 25% | 31.9% | 17.4% | 19.6% | 10.2% |

Table 13- Educational Level by Area

| Characteristics | Esigodini W7 | Esinyameni W1 | Esitingini W1 | Ezinambeni W5 | Jolifa |
|----------------------------------|-----------------|------------------|------------------|------------------|--------|
| Total Population | 953 | 1367 | 2848 | 1965 | 1730 |
| No schooling aged 20+ | 31.1% | 8.3% | 29.9% | 20.4% | 25.6% |
| Higher Education aged 20+ | 1.8% | 6.9% | 2.3% | 0.4% | 0.8% |
| Matric Aged | 21.9% | 24.9% | 19.6% | 25.3% | 13.5% |

Table 16- Educational Level by Area

| Characteristics | Nqole W2 | Ngqanyeni W7 | Okhalweni W7 | Ophokweni A W2 |
|----------------------------------|-------------|-----------------|-----------------|----------------------|
| Total Population | 86 | 660 | 761 | 2369 |
| No schooling aged 20+ | 5% | 43.6% | 44.8% | 17.9% |
| Higher Education aged 20+ | 20% | 1.3% | 2.9% | 2.8% |
| Matric Aged 20+ | 40% | 23.8% | 23.1% | 24.1% |

Table 17- Educational Level by Area

| Characteristics | Ophokweni B | Oqweqweni W2 | Shayamoya W4 | Simondl W6 | White City W1 |
|----------------------------------|----------------|-----------------|-----------------|---------------|------------------|
| Total Population | 956 | 5922 | 390 | 669 | 1411 |
| No schooling aged 20+ | 18.3% | 18.3% | 32.7% | 26.8% | 9.7% |
| Higher Education aged 20+ | 3.6% | 4.1% | 2.5% | 11.2% | 4.6% |
| Matric Aged 20+ | 31.9% | 27.1% | 7.4% | 17.5% | 20.9% |



SANITATION

As well the sanitation services is provided by uMgungundlovu District Municipality and the there are two option the septic tank system utilised in Camperdown areas and Ventilated Pit Improved Latrines (VIP) in rural areas.

Table 19: uMDM Planned Sanitation Projects

| Project Name | Project Description | Project Value | Population Served | Ward |
|---------------------------------|---|------------------|-----------------------------------|--------|
| Mkhambathini WWTW & Sewer Retic | Construction of Mkhambathini Waste Water Works and Sewer Reticulation | R 59, 115,565.00 | 9,000 people and 1,500 households | Ward 1 |
| Gulube/Nodwengu VIP Sanitation | Construction of VIP Sanitation | R 14 144 877,00 | 1751 households | Ward 7 |

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

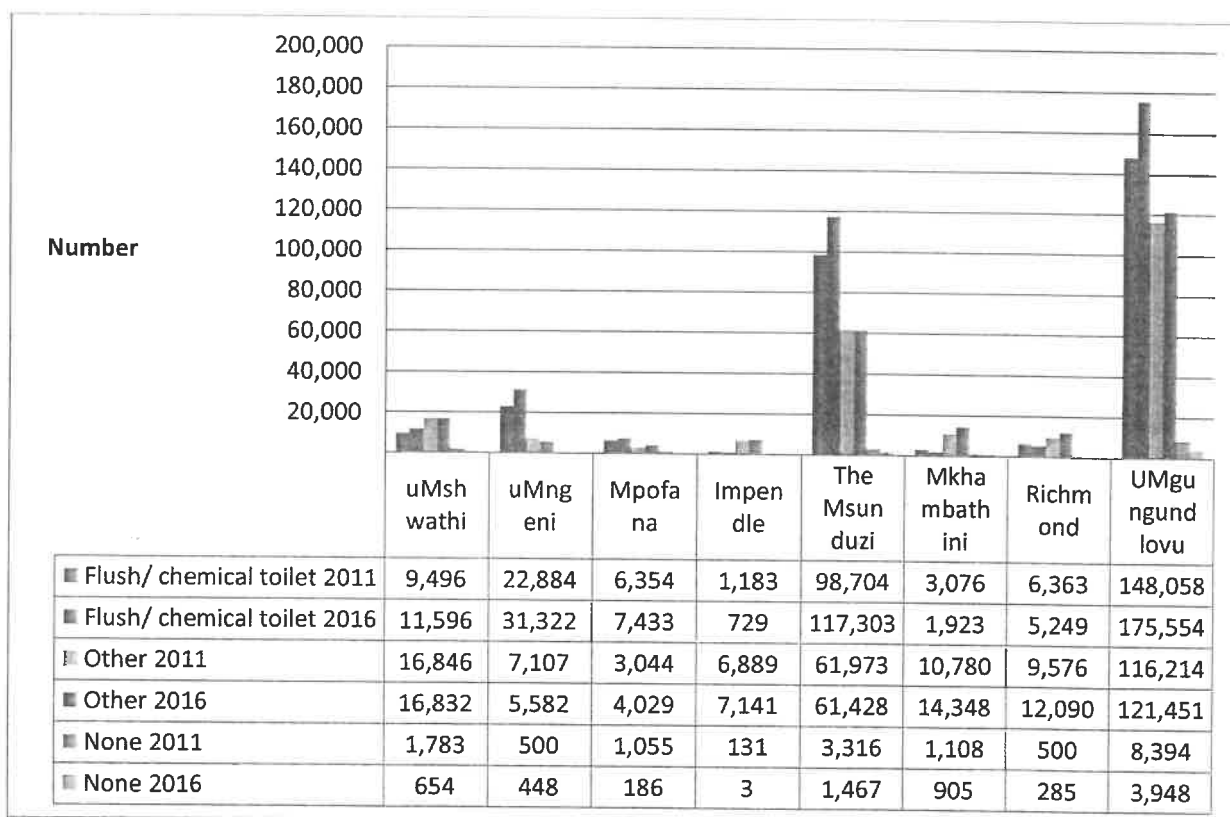


Figure 2- Community Survey 2016 Statistics – Sanitation

Houses Connected to Electricity per Local Municipality within uMgungundlovu District

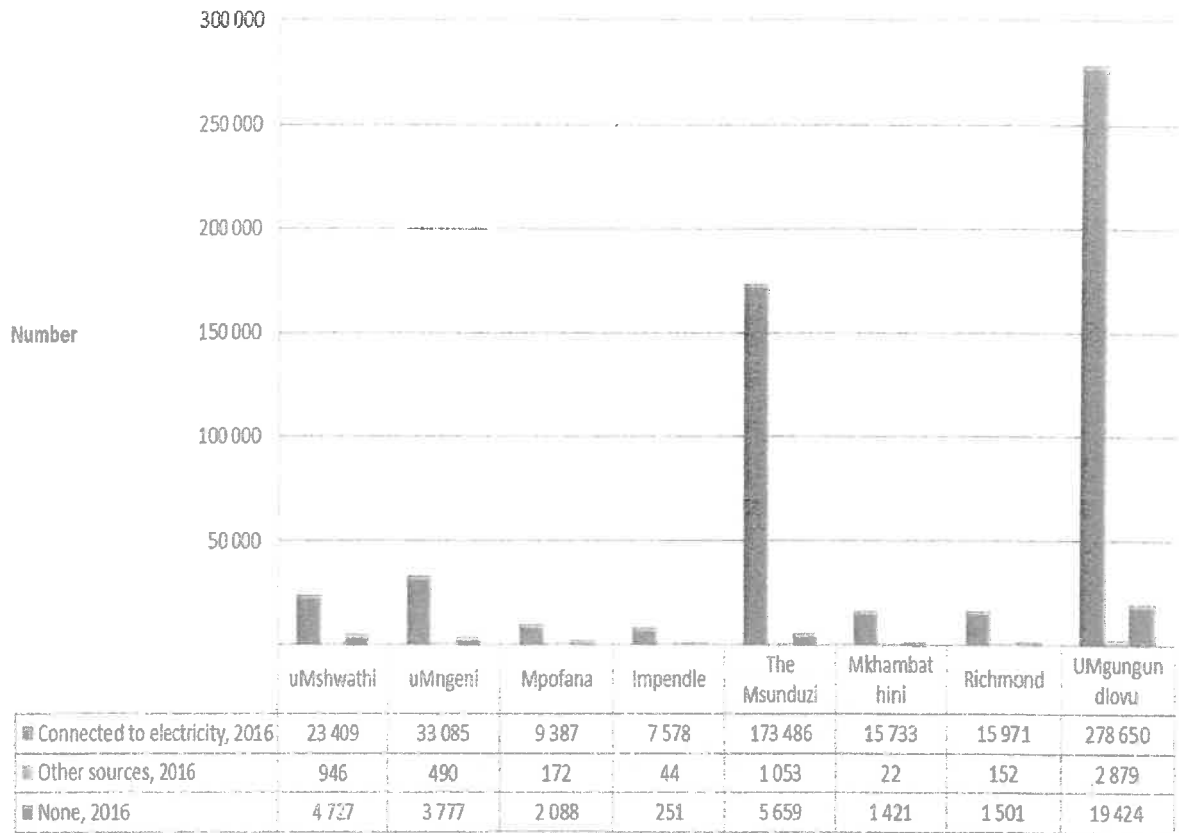
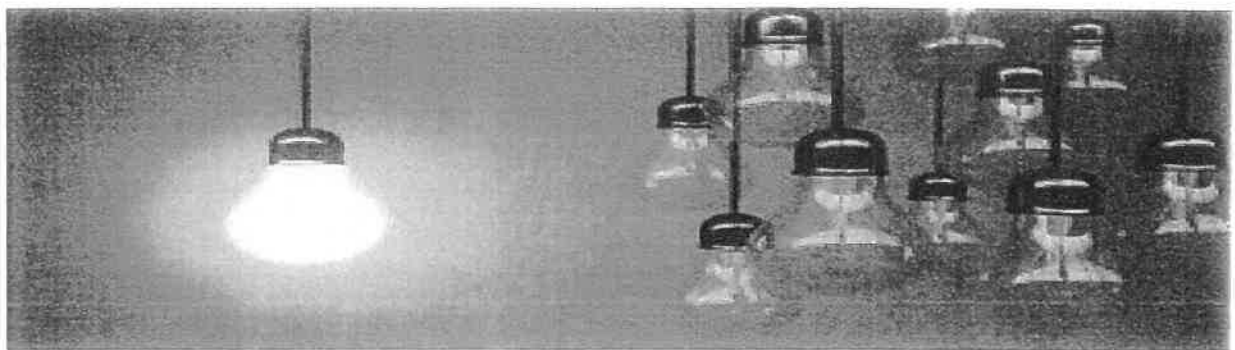


Figure 3- Community Survey 2016 Statistics - Electricity Per Local Municipality

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



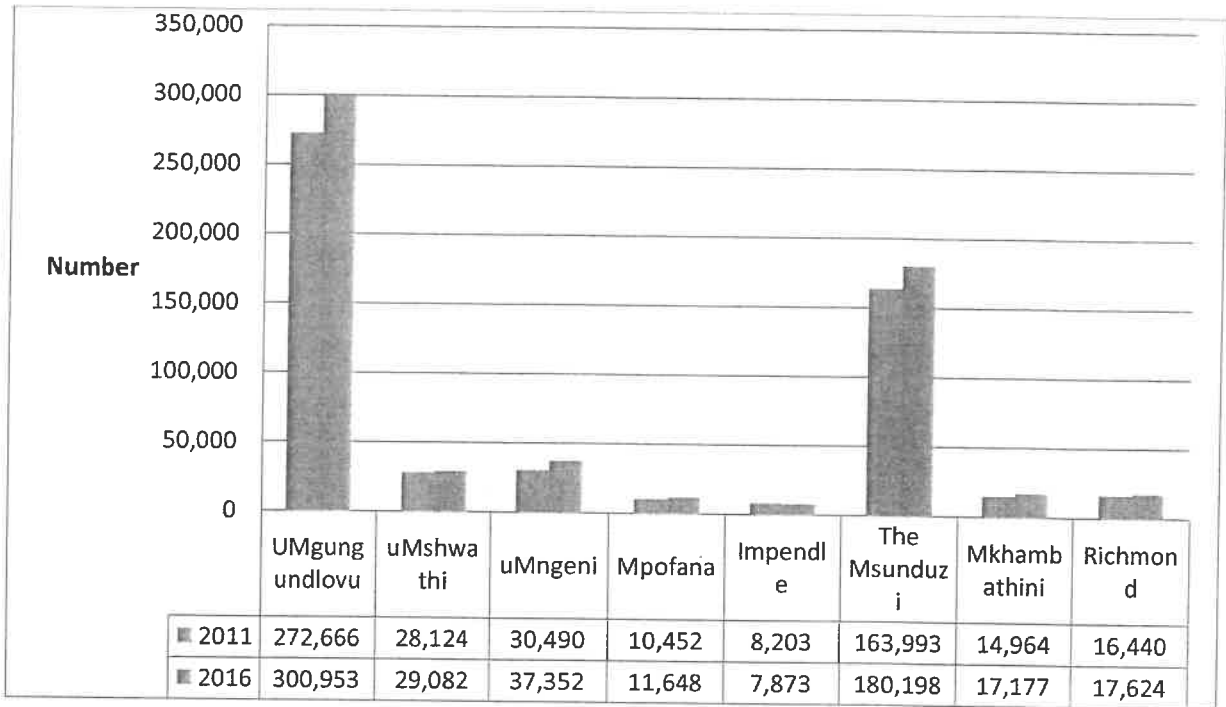


Figure 4 : Community Survey 2016 Statistics - Housing Per Local Municipality



ROADS

INTRODUCTION TO ROADS

Gravel access roads are continuously provided within the annual budget and existing roads resealed according to the Pavement Management System which will be reviewed in the 2016/2017 financial year.

The Municipality also assists the communities by grading gravel roads which are damaged due to inclement weather conditions.

Performance Summary of Road infrastructure Services overall in the 2014/2015 and 2015/2016 year is as follows:-

| | ROAD NAME | VALUE | WARD | YEAR |
|---|--------------------------|----------------|------|-----------|
| 1 | KwaLubhaqwa Access Road | R 3 027 525.76 | 6 | 2014/2015 |
| 2 | Nkanyezini Access Road | R 1 390 165.66 | 2 | 2014/2015 |
| 3 | Makhalanjalo Access Road | R1 586 730.65 | 2 | 2014/2015 |
| 4 | Qhungashe Access Road | R 2 316 646,69 | 5 | 2014/2015 |
| 5 | Cabbeln Access Road | R 2 734 158.68 | 6 | 2014/2015 |

Comment on the Performance of Roads Overall

The Municipality has made steady progress on the construction of new roads against the target set. The Municipality constructed 2.7km of road, in 2015/2016.

Table 23- Service Delivery by Category

| Characteristics | Esigodini | Esinyameni | Esitingini | Ezinambeni | Eziphambathini | Jollfa |
|---|-----------|------------|------------|------------|----------------|--------|
| Total Population | 953 | 1367 | 2848 | 1965 | 1612 | 1730 |
| Number of Households | 189% | 274 | 571 | 341% | 307 | 353 |
| Average Household size | 5 | 5 | 4.9 | 5.8 | 5.3 | 4.9 |
| Female headed households | 55% | 55.5% | 45.1% | 56.3% | 54.1% | 65.4% |
| Formal Dwelling | 18.9% | 41.1% | 44.2% | 13.5% | 2.3% | 6.2% |
| Housing Owned/paying off | 25.4% | 50.4% | 48.7% | 1.5% | 7.8% | 34.4% |
| Flush Toilet connected to sewerage | 1.1% | 1.8% | 0.7% | 0.6% | 2.3% | 0.6% |
| Weekly Refuse Removal | 0% | 0% | 0% | 0.6% | 1% | 0% |
| Piped Water inside dwelling | 4.7% | 3.6% | 8.2% | 0.6% | 1.3% | 2% |
| Electricity for lighting | 85.2% | 93.5% | 90.7% | 2.9% | 12.4% | 0.3% |

Table 24- Service Delivery by Area

| Characteristics | Dwengu | Makholweni | Mahlabathini | Manzanyama | Maqongo | Mhila |
|---------------------------------|--------|------------|--------------|------------|---------|-------|
| Total Population | 620 | 2117 | 259 | 328 | 1307 | 1515 |
| Number of Households | 126 | 401 | 60 | 73 | 255 | 243 |
| Average Household size | 4.9 | 5.1 | 4.3 | 4.5 | 5.1 | 6.1 |
| Female headed households | 65.4% | 51.9% | 53.3% | 50% | 57% | 61.9% |
| Formal Dwelling | 1.6% | 37.9% | 10% | 21.9 | 35.5% | 2.1% |
| Housing | 15.9% | 48.4% | 86.7% | 39.7 | 48% | 4.5% |

CHAPTER TWO: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

In order to promote accountability to the local community for the decisions made throughout the year by the Municipality as per Section 121 (2)(c) of the Municipal Finance management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional.

Both political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2015/16.



Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance.

2.1 POLITICAL GOVERNANCE

Mkhambathini has functional Executive Committee and Council that meet monthly. The portfolio committees also meet on a regular basis. The Municipal Public Accounts Committee continues to plan the imperative oversight and advisory role to Council to ensure that the Municipality functions are on track.

The Mayor is the head of political governance chairing the Executive Committee as well as the portfolio committee responsible for Finance and Corporate Services. As a Municipality we proud ourselves as having a woman Mayor.

EXECUTIVE COMMITTEE

| | DESIGNATION | FUNCTIONS |
|---|---------------------------------------|---|
|  | <p>Mayor Cllr. T.E. Maphumulo</p> | <p>The Mayor is tasked with the identification and prioritization of community needs, drafting strategies to deliver those needs and to oversee the delivery of services by the Municipalities Administration, whilst ensuring that Municipal Finances are in good order and the risk factors are minimized.</p> <p>The Mayor is also responsible for recommending and determining the best ways, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.</p> |
|  | <p>Deputy Mayor Cllr. Mkhize</p> | <p>The Deputy Mayor is responsible for ensuring the functionality of ward committees and also overseeing the functional of special programmes of the Municipality. The Deputy Mayor also exercises the powers and performs the duties of the mayor if the Mayor is absent or not available or if the office of the Mayor is vacant. The Mayor may delegate any duties assigned to the Deputy Mayor.</p> |


COMMITTEE ALLOCATION JULY 15 – JUNE 2016


The portfolio Committees are constituted by Councilors from all political parties.

Table 32- Portfolio Committees

| COMMITTEE/SUB-COMMITTEE | MEMBERS |
|--|---------------------------------|
| EXECUTIVE COMMITTEE | Cllr T.E. Maphumulo (Mayor) |
| | Cllr C.T. Mkhize (Deputy Mayor) |
| | Cllr M.R. Ntuli |
| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE | Cllr MM Lembethe (Chairperson) |
| | Cllr T. A. Gwala |
| | Cllr H.S. Mtetwa |
| | Cllr M. Ngcongo |
| EDP COMMITTEE | Cllr C.T. Mkhize (Chairperson) |
| | Cllr M.M. Magubane |
| | Cllr T.Z. Maphumulo |
| HUMAN RESOURCES COMMITTEE | Cllr C.T. Mkhize (Chairperson) |
| | Cllr R.N. Mofokeng |
| | Cllr M.M. Lembethe |
| | Cllr H.S. Mtetwa |
| AUDIT COMMITTEE | Mr S.J. Kunene |
| | Mr. J. Mathobela |
| | Mrs H.D. Phoswa |

2.2 ADMINISTRATIVE GOVERNANCE

| | DESIGNATION | FUNCTIONS |
|--|---|---|
|  | <p>Mrs T. C. Ndlela Municipal Manager</p> | <p>The Municipal Manager is the accounting officer of the Municipality, providing leadership on issues of governance. The Municipal manager heads the Municipal Governance and is a Chairperson of Management Committee. He is responsible for the day-to-day management and administration of the Municipality. The Municipal Manager Operates in terms of the relevant section in the Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Act. In discharging his responsibilities in the 2015/2016 financial year, the Municipal Manager was assisted by the Management</p> |

| | | |
|---|---|---|
| | | Housing Unit and Project Management Unit. |
|  | <p>Mr. F. Lembethe Manager: Corporate and Administrative Services (contract ended in November 2015)</p> | <p>The Corporate Services section is made of a number of unit namely, Human Resources Unit, Library Services, Motor Licensing Unit and Security Services Unit. The department is a support unit for all Municipality departments.</p> |

2.3.2 DISTRICT INTERGOVERNMENTAL RELATIONS

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

Table 33- Intergovernmental Relations Structure

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

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION



During 2015/2016 financial year, the Municipality had 7 functional ward committees which serve as a conduit between the Municipality and the community. Over and above the existence and functioning of ward committees the Municipality publishes its Service Delivery and Budget Implementation Plan on

WARD COMMITTEE MEETINGS

Table 34- Ward Committee Information

| WARD | WARD COUNCILLOR | COMMITTEE ESTABLISHED (YES/NO) | NO OF MEETING HELD | NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE |
|------|-----------------|--------------------------------|--------------------|--|
| 1 | Cllr Zondo | Yes | 8 | 4 |
| 2 | Cllr Mtethwa | Yes | 9 | 4 |
| 3 | Cllr Lemberthe | Yes | 9 | 4 |
| 4 | Cllr Gwala | Yes | 8 | 4 |
| 5 | Cllr Mkhize | Yes | 9 | 4 |
| 6 | Cllr Ngcongco | Yes | 8 | 4 |
| 7 | Cllr Magubane | Yes | 9 | 4 |

2.5 IDP PARTICIPATION AND ALIGNMENT

Table 35- IDP Participation and Alignment

| IDP Participation and Alignment Criteria | Yes/No |
|--|------------|
| Does the Municipality have impact, outcome, input, output indicator | YES |
| Does the IDP have priorities, objectives, KPIs, development strategies? | YES |
| Does the IDP have multi-year targets? | YES |
| Are the above aligned and can they calculate into a score? | YES |
| Does the budget align directly to the KPI's in the strategic plan? | YES |
| Do the IDP KPIs align to the Section 57 Managers? | YES |
| Does the IDP KPI lead to functional area KPI's as per the SDBIP? | YES |
| Does the IDP KPI's align with the provincial KPI's on the 12 Outcomes? | YES |
| Were the indicators communicated to the public? | YES |
| Were the four quarter aligned reports submitted within stipulated time frames? | YES |
| Section 26 of the Municipal Systems Act 2000 | |

- High Number of indigent families;
- High Number of unemployed Youth;
- Inability to maintain municipal infrastructure;
- Inability to secure own land.

Council took a resolution that Senior Managers take responsibilities of Risk Committee. The Committee is functional and report to the Audit and Performance Management Committee on a quarterly basis.

2.7 ANTI-CORRUPTION AND FRAUD

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

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

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

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

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION

INTRODUCTION TO WATER PROVISION

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

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

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

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

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

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

3.2 ELECTRICITY

INTRODUCTON TO ELECTRICITY

Mkhambathini area is serviced by Eskom. In the financial year under review the Municipality has been motivated to start to conduct its own survey in terms of electricity distribution backlog. This will assist in ensuring that the Municipality reach atleast 95% of its community in providing the services.

3.3 WASTE MANAGEMENT (THIS SECTION INCLUDE: REFUSE COLLECTIONS, WASTER DISPOSAL, STREET CLEANNING AND RECYCLING

Waste Management with Mkhambathini Municipality includes, refuse removal and street cleaning. The Municipality has established a working relationships with various environmental organisations such as DUCT, WESSA and uMngeni Water this is to foster environmental management. The Municipality is currently running a waste management project through EPWP.

The Municipality is putting plans in place to clear all illegal dumping and this will assist in enforcing the Municipal By-Laws

Table 37 : Employee Solid Waste

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

3.7 ROADS

INTRODUCTION TO ROADS

The Municipal road projects were identified during the Mayoral Izimbizo's wherein they were prioritised and included in the IDP as a planning tool. The Municipality as part of its initiative to fast-track service delivery the roads were designed and G through the MIG as commitment for the three (3) year cycle. The Municipality was in a position to finalise all the two prioritised roads within the stipulated time frame. The Municipality has put together a maintenance plan to ensure that the Municipal Roads are well serviced.

Road Infrastructure rehabilitation and maintenance continue to be a challenge as there are still backlogs resulting from limited funding. The Municipality has set aside R3000 000.00 for roads rehabilitation in the 2016/2017 financial year.

The roads rehabilitation plan for the Municipality will go a long way in improving the condition of our roads.

COMMENT ON THE PERFORMANCE OF TRANSPORT OVERALL

The Municipality does not own public transport. The community relies on private mini bus taxis and privately owned bus services.

3.10 PLANNING AND DEVELOPMENT

The Municipality is approximately 90% rural with one formalised town within which the economic activities take place.

- The Municipality owns at least 10 plots of land, with the Ngonyama Trust Land owning at least 40% and 40% is privately owned and 20% community trust.
- A large portion of the population lives in poverty and is dependent on social grants.
- The Municipality is in a process of drafting its Local Economic Development Strategy with an aim to unlock and attract investment to the area.

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

Table 38 : Planning Objectives Taken from the IDP

| Planning Policy Objective taken from the IDP | | | | |
|--|------------------------------------|--|--|---|
| Service Objectives | | | | |
| Service Indicators | | | | |
| (i) | (ii) | (v) | (vi) | (vii) |
| Service Objective | | | | |
| To build an efficient and sustainable local government structure | Equitable Access to infrastructure | Create condition conducive to economic development | Sustainable and integrated land use patterns | Promote sustainable social and economic development |

COMMENT ON LOCAL ECONOMIC DEVELOPMENT

Table 40 : Jobs Created through EPWP Projects

| Job Created through EPWP Projects | | |
|-----------------------------------|-------------------|---------------------------------------|
| Details | EPWP Projects No. | Job Created through EPWP projects No. |
| Year -2 | 2 | 80 |
| Year -1 | 4 | 100 |
| Year -0 | 4 | 15 |

Table 41 : Employee Local Economic Development Services

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

CHILDREN

As a way of promoting Early Childhood Development (ECD), the Municipality handed over 2 ECD centres in Ward 1 and Ward 3. The Ward 1 ECD was donated with the following items:

- Educational materials
- Heater
- Toys
- Blankets and sponges
- Tables and chairs

The Municipality also hosted the Children's Day as well as the Senior Citizen's event on 04 December 2015.

CHILD CARE FACILITIES

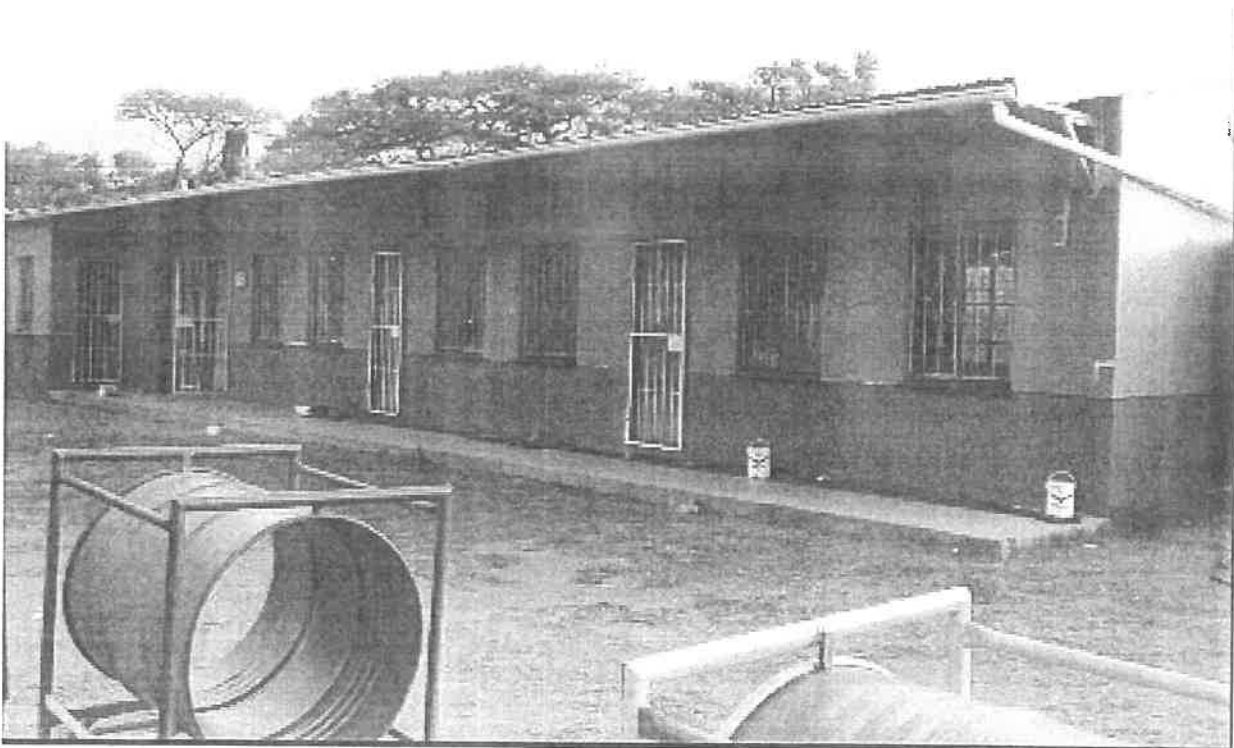


Figure 7 Ingqaza Creche

LIBRARY

A main library is located in town while satellite libraries are found in Ward 1 and Ward 7. Provision of library in other wards within the Municipality should be prioritised given the structure of the population and lack of such facilities in the area.



The Municipality has a challenge of maintaining the library in town as a main administrative centre thereby catering sufficient facilities. As need has been identified to expand or develop a cultural precinct which will accommodate other government services. Satellite Libraries are also considered as a priority for the Municipality especial in the rural areas.

SPECIAL PROGRAMMES

During 2015/16, the following activities were implemented for the special programmes:

3.12.1 YOUTH

- 7 youth assisted with learner registration fees at the Institutions of Higher Learning;
- 7 Youth participated in the EPWP Social Sector Sport Star programme;
- Mkhambathini hosted a Matric Prayer and a career exhibition in October 2015;
- A workshop in Leadership was provided for the Youth Council of Mkhambathini;
- 10 youth participated in the Mkhambathini's EPWP "My job My future" programme which is an Internship programme implemented within the office spaces of Mkhambathini Municipality;
- Youth of Mkhambathini formed the majority of participants in the other EPWP projects as well as in the Community Work Programme implemented in Mkhambathini;

3.12.3 HIV AND AIDS

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



Figure 8 : Local Ward Aids Council Exhibition

Local Aids Council meeting was held on 19 February 2015 at Mkhambathini Council Chambers.

Peer Educators Training (Learner Support Agent) LSA

- The Municipality had and EPWP project in partnership with the Department of Educations
- The EPWP project was an employment generating initiative aimed at providing stipends to volunteers for the work they have been task to do at a given time during the duration of their temporary employment.



Figure 9 : Transnet Mobile Clinic

Transnet/uMgungundlovu Project uMgungundlovu has engaged to partner with Transnet on issues affecting Teenage health.

- Mbambangalo (30 girls) and Mabovini High School (36 girls) were the beneficiaries of the teenage project;
- On 7 September 2015 66 girls were hosted by Transnet on a one day interacting workshop at Mbambangalo High School in Ward 1 where they talked to the girls about general topics, like recognizing their beauty and being proud of who they are and specific topics about how their body changes, menstruation, teenage pregnancy and self -esteem;
- 36 were from Mabomvini and were transported by the Municipality to attend the phase 1 day interactive workshop;
- All girls were given each a 'goodie bag' containing booklets with information discussed during the workshop, soap, toothpaste and toothbrush, roll-on deodorant, hand sanitize and a menstruation cup.

The Local Aids Council of Mkhambathini hosted a 16 days of activism against gender – based violence campaign under the theme: “Rise, Act and Protect” at Abebhuzi Community Hall on 09 December 2015.

3.12.4 OPERATION SUKUMA SAKHE

OSS is the whole of government approach which includes government departments, development partners, civil societies and communities that seeks to address issues such as poverty, crime, HIV/AIDS, food insecurity and other social ills. It aims to engage every member of the community to embrace and

COMPONENT E: ENVIRONMENTAL PROTECTION

5.1 POLLUTION CONTROL

Pollution control for Mkhambathini Municipality is supported by uMgungundlovu District Municipality as well as the Department of Agriculture and Environmental Affairs as there is currently no staff dealing directly with pollution control. All support is provided by the department as well as the district



Figure 10: No to Air Pollution

5.2 BIO-DIVERSITY: LANDSCAPE AND OTHER

Guidance is obtained from uMgungundlovu District Municipality SEA and SEMP,. Although general in nature it covers an intensive area, the principles embodied therein are incorporated into both the SDF and Rural Land Use Policy which highlights sensitive areas.

COMPONENT G: SPORTS AND RECREATION

This component includes: Community Parks and Sports Fields.

7.1 SPORTS AND RECREATION

The sports and recreation falls within the youth office. The component is managed by the Youth Coordinator. The aim of Sports and Recreation is to improve social cohesion and healthy lifestyles of communities.

The Municipality continues to participate in the Provincial Senior Citizens Golden games coordinated by the Department of Sport and Recreation. The Municipality also facilitates and coordinates the participation of its athletes in the SALGA Games, under the various sporting codes, through uMgungundlovu District. Mkhambathini Municipality's performance in the uMgungundlovu District Games held in September 2016 was excellent and the Municipality received the first position overall. Athletes forming part of the District Teams participated in the SALGA Provincial Games which were hosted by Ilembe District in December 2015.

The Municipality continues to maintain community parks and a number of sports field within each ward.

COMPONENT H: CORPORATE POLICY OFFICES AND OTHER SERVICES

INTRODUCTION TO CORPORATE POLICY OFFICES

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

COMMENTS ON FINANCIAL SERVICES

Revenue collection remains a challenge with the debtors amounting to R15 568 296 at the end of June 2016. In order to address this the Municipality will further strengthen the implementation of debt collection policy. The Municipality will introduce a procurement plan which will support MSCOA requirements.

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

8.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services. One of the major highlights in the year under review was the revamp and completion of the Municipality's Website which is now operational and easily accessible to all. The unit was further able to improve the Server capacity to ensure smooth implementation of MSCOA.

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

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

COMMENTS ON INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

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

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

| | | | | | |
|--------------------------------------|----|----|----|---|---|
| Local Economic Development | 1 | 1 | 1 | 0 | 0 |
| Disaster | 1 | 1 | 0 | 1 | |
| Community and Social Services | 10 | 10 | 7 | 3 | |
| Technical Services | 22 | 30 | 23 | 7 | |
| Finance | 13 | 20 | 13 | 7 | |
| Corporate Policy Offices and Others. | 25 | 33 | 25 | 8 | |
| Total | | | | | |

| Vacancy Rate | | | |
|--|--------------------------|---|---|
| Designation | Total Approved Posts No. | Vacancies (Total time that vacancies exist using fulltime equivalent) No. | Vacancies (as a proportion of total posts in each category) % |
| Municipal Manager | 1 | 0 | 0% |
| Chief Financial Officer | 1 | 0 | 0% |
| Other S57 Managers (excluding Finance Posts) | 3 | 2 | 66% |
| Total | 5 | 2 | 0% |

Turn Over Rate

Table 45 : Turn Over Rate

| Turn-Over Rate | | | |
|----------------|--|---|----------------|
| Details | Total Appointments as of the beginning of the Financial Year No. | Termination During the Financial Year No. | Turn-Over Rate |
| | 6 | 2 | 8 |

Table 47 : Employee Sick Leave

| Salary Band | Total Sick Leave Days | Proportion of Sick Leave without medical certification % | Employee using sick leave | Total Employee In posts | Average Sick leave per employees days | cost |
|-------------------------------------|-----------------------|--|---------------------------|-------------------------|---------------------------------------|------|
| Lower skilled (level 11-12) | 185 | | Yes | 36 | 5.1 | |
| Skilled (level 6-9) | 218 | | Yes | 37 | 6 | |
| High Skilled Production (level 3-4) | 123 | 10% | Yes | 9 | 14 | |
| High Skilled Supervision (level2) | 0 | 0 | 0 | 0 | 0 | 0 |
| MM and Sec 56 | 27 | | yes | 3 | 9 | |
| Total | 553 | | | 84 | | |

COMMENT ON INJURY AND SICK LEAVE:

During the financial year under review, there were no injuries on duty. The sick leave is estimated at xxxx%.

There were no suspension or any pending cases of fraud and corruption.

CHAPTER FIVE: REPORT OF THE AUDITOR GENERAL'S – AND AUDITED FINANCIAL STATEMENTS FOR 2015-2016

Auditor General's Report

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mkhambathini 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.

Additional Matters

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

Unaudited Disclosure Notes

8. In terms of Section 125 (2) € 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 statement and accordingly I do not express an opinion thereon.

Unaudited Supplementary Schedules

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

Report on other legal and regulatory requirements

10. in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objective presented in the annual performance report, compliance with legislation and internal control. The objective of

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the basic service delivery and infrastructure development objective. As management subsequently corrected the misstatements, I not raised any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary Schedules

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

Compliance with Legislation

20. 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 Statement

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of Section 12 of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

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

Internal Control

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant



**Mkhambathini
Municipality**
For the Community

**Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2016**

Mkhambathini Municipality

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Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

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| Appendix G(3): Budgeted Financial Performance (revenue and expenditure) | 45 |

Abbreviations

| | |
|-------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2016.

1. Subsequent events

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

2. Accounting Officer

The Accounting Officer of the Municipality during the year and to the date of this report is as follows:

| Name | Nationality | Appointment Date |
|------------------|---------------|------------------|
| Mrs. T.C. Ndlela | South African | 15 October 2015 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

| Figures in Rand | Note(s) | 2016 | 2015 |
|--|---------|---------------------|---------------------|
| | | | Restated* |
| Revenue | | | |
| Commissions received - Insurance Premiums | | 12,714 | 12,173 |
| Other income | 15 | 591,207 | 397,478 |
| Interest received | 16 | 4,117,139 | 2,029,073 |
| Property rates | 17 | 11,826,508 | 11,603,328 |
| Government grants & subsidies | 18 | 74,971,569 | 65,339,740 |
| Fines, Penalties and Forfeits | | 92,650 | 31,550 |
| Licenses and permits | | 3,860,691 | 3,946,205 |
| Total revenue | | 95,472,478 | 83,359,547 |
| Expenditure | | | |
| Employee Related Cost | 19 | (21,594,770) | (21,411,323) |
| Remuneration of councillors | 20 | (4,619,711) | (4,492,358) |
| Contributions to Medical Aid and Long Service Awards | 21 | (621,493) | (377,450) |
| Depreciation and amortisation | | (5,587,825) | (4,626,666) |
| Impairment loss/ Reversal of impairments | | (719,376) | (2,145,300) |
| Debt Impairment | 22 | (1,726,574) | (2,258,175) |
| Collection costs | | - | (15,886) |
| Repairs and maintenance | | (860,218) | (976,466) |
| Grants and subsidies Expenditure | | (5,458,838) | (7,734,332) |
| General Expenses | 23 | (19,619,161) | (14,018,294) |
| Total expenditure | | (60,807,966) | (58,056,293) |
| Operating surplus/deficit | | - | - |
| Surplus before taxation | | 34,664,512 | 25,303,254 |
| Taxation | | - | - |
| Surplus for the year | | 34,664,512 | 25,303,254 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

| Figures in Rand | Note(s) | 2016 | 2015 Restated* |
|---|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Taxation | | 1,687,974 | (1,111,866) |
| Sale of goods and services | | 16,986,023 | 13,224,644 |
| Grants | | 74,086,922 | 65,775,151 |
| Interest Received | | 1,875,411 | 1,972,415 |
| | | <u>94,636,330</u> | <u>79,860,344</u> |
| Payments | | | |
| Employee costs | | (21,594,770) | (21,411,323) |
| Remuneration of Councillors | | (4,619,711) | (4,492,358) |
| Cash Paid to Suppliers | | (26,863,202) | (23,921,913) |
| | | <u>(53,077,683)</u> | <u>(49,825,594)</u> |
| Total receipts | | 94,636,330 | 79,860,344 |
| Total payments | | (53,077,683) | (49,825,594) |
| Net cash flows from operating activities | 27 | 41,558,647 | 30,034,750 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (18,260,917) | (20,996,851) |
| Proceeds from sale of property, plant and equipment | 4 | 36,991 | 4,500 |
| Purchase of other intangible assets | 5 | (687,932) | - |
| Net cash flows from investing activities | | (18,911,858) | (20,992,351) |
| Net increase/(decrease) in cash and cash equivalents | | 22,646,789 | 9,042,399 |
| Cash and cash equivalents at the beginning of the year | | 14,613,590 | 5,571,191 |
| Cash and cash equivalents at the end of the year | 10 | 37,260,379 | 14,613,590 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

| | | | | | | |
|--|-------------------|------------------|-------------------|-------------------|-------------------|-----|
| Operating surplus before capital expenditure | 1,069,380 | 3,058,000 | 4,127,380 | 34,664,512 | 30,537,132 | |
| Transfer recognised - Capital | 19,301,000 | - | 19,301,000 | 18,948,848 | (352,152) | (o) |
| Surplus or (Deficit) for the year after capital expenditure | 20,370,380 | 3,058,000 | 23,428,380 | 53,613,360 | 30,184,980 | |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

- (l) Repairs and maintenance – Only crucial repairs and maintenance was carried out. The appointment of Technical Services Manager with prioritize repairs and maintenance

- (m) Grant and subsidy expenditure – Electrification was not fully spent, small amounts were unspent on FMG, EPWP and the library grant.

- (n) General expenditure – Underspending is due to implementation of National Treasury’s circular on cost containment.

- (o) Capital Expenditure - It is spent in accordance with Capital Budget.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at cost (Cost Model) .

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

Cost model

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

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

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

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

1.2 Investment property

The net proceeds received or receivable on disposal is initially recognised at fair value.

Transfer

Where the Municipality over time changes its use of property, the classification of the property may need to change. This means that the property may need to be transferred to or from investment property depending on the nature of the change.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Property, plant and equipment

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

The disposal of an item of property' plant and equipment may occur in a variety of ways (e.g. by sale, by entering into a finance lease or through a non - exchange transaction)

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

Transfer of Property, Plant and equipment

Upon the completion a transfer is made from work in progress to asset.

Capital Work in Progress

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

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

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

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

The Cost or Fair value of an item of WIP is recognised as an assets if and only if:

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

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

Upon completion, WIP assets are reclassified to the appropriate asset class and at this stage depreciation commences. The following is disclosed in the financial statements in respect of WIP:

- (a) The amount of expenditure recognised in the carrying amount in the course of construction ;and

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Financial instruments

Initial recognition and measurements

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

The Municipality classifies financial instruments, or their component parts, on initial recognition as a financial assets, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available - for - sale financial assets.

For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction.

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

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

Payables from exchange transactions

Trade payables are initially measured at fair value ,and are subsequently measured at amortised cost ,using the effective interest rate method liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any ,are considered to be immaterial.

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

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

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

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

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the Municipality also test a cash-generating intangible

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Reversal of impairment loss

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

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

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

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

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

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

its recoverable amount (if determinable); and

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

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

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

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

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

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

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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue Recognition

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

Measurement

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

1.13 Revenue from non-exchange transactions

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

1.14 Comparative information

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

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 Presentation of budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

The Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

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

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

GRAP 107 : Mergers

01 July 2015

Immediate

| | | |
|---|--------------|-----------|
| GRAP 2 : Cash flow Statement | 01 July 2015 | Immediate |
| GRAP 3 : Accounting Policies ,Change in accounting Estimates and Errors | 01 July 2015 | Immediate |
| GRAP 9 : Revenue from Exchange Transactions | 01 July 2015 | Immediate |
| GRAP 13 : Leases | 01 July 2015 | Immediate |
| GRAP 23 : Revenue from non - exchange Transaction | 01 July 2015 | Immediate |
| GRAP 31: Intangible Assets | 01 July 2015 | Immediate |
| GRAP 25 : Employee Benefits | 01 July 2015 | Immediate |
| GRAP 18: Segment Reporting | 01 July 2015 | Immediate |
| GRAP 16 (as amended 2015): Investment Property | 01 July 2015 | Immediate |
| GRAP 17 (as amended 2015): Property, Plant and Equipment | 01 July 2015 | Immediate |
| GRAP 21 (as amended 2015): Impairment of non-cash-generating assets | 01 July 2015 | Immediate |
| GRAP 26 (as amended 2015): Impairment of cash-generating assets | 01 July 2015 | Immediate |

3. Investment property

| | 2016 | | | 2015 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 5,251,600 | - | 5,251,600 | 5,251,600 | - | 5,251,600 |

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Disposals | Other changes, movements | Depreciation | Impairment loss | Total |
|--------------------------|-------------------|-------------------|------------------|--------------------------|--------------------|------------------|--------------------|
| Buildings | 9,938,615 | - | - | - | (367,395) | - | 9,571,220 |
| Capital Work in Progress | 22,189,875 | 16,880,611 | - | (22,178,265) | - | (230,481) | 16,661,740 |
| Furniture and fixtures | 3,241,895 | 1,380,306 | (152,606) | - | (671,247) | - | 3,798,348 |
| Infrastructure | 28,370,448 | - | - | 7,180,596 | (2,214,724) | - | 33,336,320 |
| Community Assets | 30,734,208 | - | - | 14,997,668 | (2,296,690) | (488,895) | 42,946,291 |
| | 94,475,041 | 18,260,917 | (152,606) | - | (5,550,056) | (719,376) | 106,313,919 |

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Transfers | Other changes, movements | Depreciation | Impairment loss | Total |
|--------------------------|-------------------|-------------------|----------------|------------------|--------------------------|--------------------|--------------------|-------------------|
| Buildings | 7,489,378 | 201,049 | - | (247,000) | 2,859,363 | (364,175) | - | 9,938,615 |
| Capital Work in Progress | 12,976,188 | 17,109,112 | - | - | (7,895,425) | - | - | 22,189,875 |
| Furniture and fixtures | 3,208,874 | 823,072 | (8,059) | - | - | (590,146) | (191,846) | 3,241,895 |
| Infrastructure | 29,404,396 | 712,249 | - | - | - | (1,746,197) | - | 28,370,448 |
| Community Assets | 26,525,219 | 3,020,560 | - | - | 5,036,062 | (1,894,178) | (1,953,455) | 30,734,208 |
| | 79,604,055 | 21,866,042 | (8,059) | (247,000) | - | (4,594,696) | (2,145,301) | 94,475,041 |

5. Intangible assets

2016

2015

8

2

8

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

6. Operating lease asset and liabilities

| | | |
|---------------------|---------------|---------------|
| Current assets | 72,875 | 61,366 |
| Current liabilities | (4,153) | (13,671) |
| | <u>68,722</u> | <u>47,695</u> |

7. Receivables from exchange transactions

| | | |
|---------------|---------|---------|
| Other debtors | 180,715 | 875,764 |
|---------------|---------|---------|

8. VAT receivable

| | | |
|-----|---------|-----------|
| VAT | 355,277 | 2,043,251 |
|-----|---------|-----------|

9. Consumer debtors

Gross balances

| | | |
|-------|------------|------------|
| Rates | 15,568,296 | 12,235,276 |
|-------|------------|------------|

Less: Allowance for impairment

Net balance

Rates

| | | |
|------------------------|------------------|------------------|
| 30 days | 946,206 | 675,674 |
| 60 days | 518,933 | 711,906 |
| 90 days | 516,419 | 587,341 |
| 120 days | 507,697 | 649,506 |
| 150 days | 465,241 | 438,338 |
| 180 Days | 10,431,003 | 7,364,221 |
| Debtors Discounting | (3,281,274) | (2,315,238) |
| Provision for Bad Debt | (3,335,555) | (2,575,096) |
| | <u>8,951,467</u> | <u>7,345,021</u> |

Reconciliation of allowance for impairment

| | | |
|----------------------------|--------------------|--------------------|
| Contributions to allowance | (1,726,574) | (2,258,175) |
| | <u>(6,616,829)</u> | <u>(4,890,255)</u> |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|------------------|---------------------|
| 11. Unspent conditional grants (continued) | | |
| Movement during the year | | |
| Municipal systems improvement grant | | |
| Opening balance | - | 9,520 |
| Current year receipts | 930,000 | 934,000 |
| Conditions met - transfer to revenue | (930,000) | (943,520) |
| Conditions still to be met - transfer to liabilities | - | - |
| MAP grant | | |
| Opening balance | 47,028 | 47,028 |
| Current year receipts | - | - |
| Conditions still to be met - transfer to liabilities | 47,028 | 47,028 |
| Community development workers | | |
| Opening balance | 11,225 | 11,225 |
| Current year receipts | - | - |
| Conditions still to be met - transfer to liabilities | 11,225 | 11,225 |
| Corridor development | | |
| Opening balance | - | 205,999 |
| Conditions met - transferred to COGTA | - | (205,999) |
| Conditions still to be met - transfer to liabilities | - | - |
| Financial management grant | | |
| Opening balance | 271,157 | 15,827 |
| Current year receipts | 1,800,000 | 1,800,000 |
| Conditions met - transfer to revenue | (2,070,106) | (1,544,670) |
| Conditions still to be met - transfer to liabilities | 1,051 | 271,157 |
| Housing grant | | |
| Opening balance | 444,068 | 444,068 |
| Current year receipts | 593,206 | - |
| Conditions still to be met - transfer to liabilities | 1,037,274 | 444,068 |
| Lums grant | | |
| Opening balance | 46,537 | 46,537 |
| Current year receipts | - | - |
| Conditions met - transfer to revenue | - | - |
| Conditions still to be met - transfer to liabilities | 46,537 | 46,537 |
| Current year receipts | 16,851,000 | 1,090,112 |
| Conditions met - transfer to revenue | (16,851,000) | 16,251,000 |
| Conditions still to be met - transfer to liabilities | - | (17,341,112) |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

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11. Unspent conditional grants (continued)

Electrification

| | | |
|---|------------------|------------------|
| Opening balance | 3,232,856 | 1,746,008 |
| Current year receipts | 2,000,000 | 5,000,000 |
| Conditions met - transfer to revenue | (3,694,189) | (3,513,152) |
| Conditions still to be met - transfer to liabilities | 1,538,667 | 3,232,856 |

Expanded Public Works Programme Grant

| | | |
|---|---------------|-------------|
| Current year receipts | 1,058,000 | 1,132,000 |
| Conditions met - transfer to revenue | (1,012,039) | (1,132,000) |
| Conditions still to be met - transfer to liabilities | 45,961 | - |

Library Grant

| | | |
|--|----------------|-----------|
| Current Year receipt | 1,244,000 | 681,000 |
| Conditions met - transfer to revenue | (801,145) | (681,901) |
| Contributions still to be met - transfer to liabilities | 442,855 | - |

LGSETA

| | | |
|--------------------------------------|----------|----------|
| Conditions met - transfer to revenue | (43,131) | (31,669) |
| | - | - |

DSD - Social Development Grant

| | | |
|--------------------------------------|---|----------|
| Conditions met - transfer to revenue | - | (11,956) |
| | - | - |

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

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities. These amounts are invested in a separate bank account and are supported by cash in the bank.

Mkhambathini Municipality

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12. Provisions (continued)

Post-retirement medical benefits

POST RETIREMENT MEDICAL BENEFITS

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

The main assumptions used by the actuary are:

| | 2016 (R millions) | 2015 (R millions) |
|--|-----------------------------------|----------------------|
| Discount rate per annum | 9.88% | Yeild Curve |
| Health care cost inflation rate | 8.85% | CPI +1 |
| Net effective discount rate | 0.95% | Yield curve based |
| Post -Retirement subsidy | | |
| Retirement age | | |
| Males | 65 | 65 |
| Females | 65 | 65 |
| Mortality during employment | SA 85-90 Ultimate Mortality Table | |
| Mortality post retirement | PA90-1 Ultimate Mortality Table | |
| Number of in-service non-member | 0 | 0 |
| Number of in-service members | 51 | 48 |
| Number of pensioners | 0 | 0 |
| No. of Active employees | 0 | 0 |
| Accrued liability at 30 June | 1,697,483 | 1,285,000 |
| Future - service cost | 129,000 | 173,457 |
| Interest cost | 124,000 | 112,415 |
| Expected benefits payments/ Change in assumption | 0 | 100,586 |
| Actuarial loss/(gain) | 159,483 | 39,242 |
| Total annual expense | 253,000 | 146,044 |
| Projected accrued liability at 30 June ensuing year | 1,950,483 | 1,538,000 |
| Accrued liability at 30 June | 1,697,483 | 1,285,000 |
| Short term portion of accrued liability | - | - |
| Long term portion of accrued liability | 1,697,493 | 1,285,000 |
| | Liability | Liability |
| The effect on the liability of a 1% change in the assumed rate of medical inflation: | (R millions) | (R millions) |
| Central assumptions | 1,697 | 0 |
| 1% increase in assumed medical inflation | 1.793 | 1.025 |
| 1% decrease in assumed medical inflation | 1,561 | 0.968 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|-------------------|-------------------|
| 14. Revenue | | |
| Commissions received | 12,714 | 12,173 |
| Other income | 591,207 | 397,478 |
| Interest received - investment | 4,117,139 | 2,029,073 |
| Property rates | 11,826,508 | 11,603,328 |
| Government grants & subsidies | 74,971,569 | 65,339,740 |
| Fines, Penalties and Forfeits | 92,650 | 31,550 |
| Licenses and permits | 3,860,691 | 3,946,205 |
| | 95,472,478 | 83,359,547 |
| | | |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Other income | 591,207 | 397,478 |
| Interest received - investment | 4,117,139 | 2,029,073 |
| | 4,721,060 | 2,438,724 |
| | | |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | | |
| Transfer revenue | | |
| Government grants & subsidies | 74,971,569 | 65,339,740 |
| Fines, Penalties and Forfeits | 92,650 | 31,550 |
| Licenses and Permits | 3,860,691 | 3,946,205 |
| | 90,751,418 | 80,920,823 |
| | | |
| 15. Other income | | |
| Operating lease income | 77,058 | 73,072 |
| Library Income | 20,007 | 18,485 |
| Clearance Certificates | 16,289 | 9,315 |
| Subscription Library | - | 35 |
| Tender Fees | 80,795 | 84,709 |
| Building Plan (Plan Fees) | 247,663 | 179,619 |
| Income - Excess Cards | - | 120 |
| Other income | 139,768 | - |
| Planning Application Fee | 9,627 | 17,737 |
| Enforcement | - | 14,386 |
| | 591,207 | 397,478 |
| | | |
| 16. Interest received | | |
| Interest revenue | | |
| Interest earned from investments | 1,875,411 | 905,810 |
| Interest charged on trade and other receivables | 2,241,728 | 1,123,263 |
| | 4,117,139 | 2,029,073 |
| | - | - |
| | 4,117,139 | 2,029,073 |

Mkhambathini Municipality

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| Figures in Rand | 2016 | 2015 |
|--|-------------------|-----------------|
| 19. Employee related costs | | |
| Basic | 13,783,855 | 14,442,228 |
| Bonus | 887,591 | 926,537 |
| Medical aid | 1,097,113 | 835,463 |
| UIF | 118,764 | 99,732 |
| SDL | 184,800 | 161,441 |
| Leave pay provision charge | 722,475 | 807,689 |
| Phone Allowance | 44,304 | 41,600 |
| Defined contribution plans | 2,357,828 | 1,792,793 |
| Travel, motor car, accommodation, subsistence and other allowances | 237,456 | 269,000 |
| Overtime payments | 1,174,534 | 1,034,305 |
| Acting allowances | 42,291 | 136,857 |
| Housing benefits and allowances | 148,805 | 57,178 |
| Bargaining Council Contributions | 6,954 | 5,500 |
| Stipend - Ward Committee | 788,000 | 801,000 |
| | 21,594,770 | 21,411,- |
| Remuneration of Municipal Manager | | |
| Annual Remuneration | 635,482 | 137,730 |
| Travel Allowance | 51,456 | 24,000 |
| Other Allowances | 1,487 | 419,895 |
| Leave Pay | - | 159,704 |
| Cellphone allowance | 12,864 | 8,000 |
| | 701,289 | 749,329 |
| The Municipal Manager was appointed w.e.f 15 October 2015 | | |
| Remuneration of Chief Finance Officer | | |
| Annual Remuneration | 720,755 | 637,000 |
| Travel Allowance | 72,000 | 66,000 |
| Other Allowances | 386 | 409 |
| Back Pay | 12,978 | - |
| Cellphone Allowance | 9,600 | 8,800 |
| Acting Allowance | - | 5 |
| | 815,719 | 717,400 |
| Remuneration of Manager of Community Services | | |
| Annual Remuneration | 697,955 | 672,000 |
| Travel Allowance | 84,000 | 84,000 |
| Back Pay | 12,978 | - |
| Other Allowances | 11,186 | 13,949 |
| Cellphone Allowance | 9,600 | 9,600 |
| | 815,719 | 779,549 |
| Remuneration of Manager Technical Services | | |
| Annual Remuneration | - | 175,000 |
| Travel Allowance | - | 35,000 |
| Leave Pay | - | 149,501 |
| Other Allowances | - | 237,525 |
| Cellphone Allowances | - | 5,600 |
| | - | 602,626 |

Mkhambathini Municipality

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Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|-------------------|-------------------|
| 23. General expenses | | |
| Materials | 28,855 | 48,926 |
| Advertising | 147,775 | 228,867 |
| Auditors remuneration | 1,187,514 | 1,083,457 |
| Pound Security | 60,000 | 89,417 |
| Face Value - Licence Card Renewals | 314,244 | 185,733 |
| Legal Expenses | 463,445 | 205,724 |
| Consumables | 269,717 | 226,357 |
| Valuation Fees | 289,035 | 23,333 |
| Landfill Site Fees | 177,317 | 169,066 |
| Loss on sale of an asset | 115,615 | - |
| Rentals | 373,615 | 399,689 |
| Insurance | 802,035 | 167,854 |
| Community development and training | 4,709,959 | 3,582,376 |
| Conferences and seminars | 254,123 | 226,582 |
| Interest Paid | 208,555 | 139,369 |
| IT expenses | 366,493 | 515,844 |
| Levies - Kwa Naloga | 500,000 | 500,000 |
| Magazines and Periodicals | 40,877 | 46,600 |
| License Renewal | 17,868 | 17,176 |
| Disaster Management | 348,039 | 303,338 |
| Fuel and oil | 377,195 | 512,132 |
| Postage and courier | 30,837 | 28,631 |
| Printing and stationery | 627,770 | 320,215 |
| Art & Culture | 364,915 | 262,430 |
| Protective clothing | 134,481 | 94,246 |
| Security Charges - Banking | 88,149 | 47,557 |
| Telephone and fax | 541,197 | 512,763 |
| District Shared Services Contribution | 192,065 | - |
| Training and Development | 515,437 | 528,750 |
| Subsistence and Travelling | 89,506 | 19,357 |
| Electricity | 650,519 | 640,931 |
| Tourism development | 18,600 | 26,756 |
| Tracker Subscription | 25,797 | - |
| Building Control | 73,941 | 82,122 |
| Sport and Recreation | 1,179,774 | 850,248 |
| Civic and Hospitality | 165,300 | 153,088 |
| Vat Correction - Prior Year | - | 134 |
| Consultants Fees | 2,401,461 | 1,532,612 |
| Other expenses | 1,467,136 | 246,614 |
| | 19,619,161 | 14,018,294 |
| 24. Auditors' remuneration | | |
| External Audit Fees | 1,187,514 | 1,083,457 |
| 25. Operating lease commitments (lessee) | | |
| Operating Lease payment rentals payable by the Municipality for certain office photocopying machines. Leases are negotiable on an average term of five years. Lease rentals escalates by 10 % per annum over the period of lease. | | |
| Operating Lease - as lessee (Expense) | | |
| Minimum Lease Payment Due | | |
| Within 1 year | 108,427 | 108,427 |
| Between two to five years | 153,604 | 262,031 |
| | 262,031 | 370,458 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

28. Capital Commitments

24.1. Committed in respect of Capital Expenditure Already

contracted for but not provided for

| | | |
|--------------------------|------------------|------------------|
| Road Infrastructure | 441,091 | 740,030 |
| Community Infrastructure | 2,516,270 | 3,470,237 |
| | 2,957,361 | 4,210,267 |

Not yet contracted for and authorised by accounting officer

| | | |
|--------------------------|-------------------|-------------------|
| Community Infrastructure | 10,901,826 | 13,351,000 |
| Road Infrastructure | 4,724,174 | 3,500,000 |
| | 15,626,000 | 16,851,000 |

Total capital commitments

| | | |
|---|-------------------|-------------------|
| Already contracted for but not provided for | 2,957,361 | 4,210,267 |
| Not yet contracted for and authorised by accounting officer | 15,626,000 | 16,851,000 |
| | 18,583,361 | 21,061,267 |

Revenue from Exchange Transaction

Approved and contracted for

| | | |
|---------------------|------------------|------------------|
| Contracted Services | 1,352,748 | 3,137,335 |
| Electrification | 1,538,667 | - |
| | 2,891,415 | 3,137,335 |

Approved and not contracted for

| | | |
|-----------------|---|------------|
| Electrification | - | 11,161,218 |
|-----------------|---|------------|

Total operational commitments

| | | |
|---|------------------|-------------------|
| Already contracted for but not provided for | 2,891,415 | 3,137,335 |
| Not yet contracted for and authorised by accounting officer | - | 11,161,218 |
| | 2,891,415 | 14,298,553 |

Total commitments

Total commitments

| | | |
|------------------------------------|-------------------|-------------------|
| Authorised capital expenditure | 18,583,361 | 21,061,267 |
| Authorised operational expenditure | 2,891,415 | 14,298,553 |
| | 21,474,776 | 35,359,820 |

Operating lease commitment (lessor)

Minimum lease payments due

| | | |
|-------------------------------------|----------------|----------------|
| - within one year | 68,572 | 68,572 |
| - in second to fifth year inclusive | 274,289 | 274,289 |
| - later than five years | 68,572 | 137,145 |
| | 411,433 | 480,006 |

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

13. Legal Assistance with expropriation of Poortje Farm - Council is attempting to expropriate land for housing projects. The expected costs are R 100 000

30. Related parties

Relationships:

Employee of the Municipality:

Mr Shange

Related party transactions Purchases from related parties

Mr. M.S. Shange

36,000 36,000

During the year the Municipality traded with an employee, Mr. M.S. Shange who provided his firearm for official duties amounting to R36 000 (2015: 36 000)

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Consumer Debtors - This is as a result of implementing the supplementary valuation roll which affected the prior years valuation and property rates.

Property plant and equipment - This is as a result of expenditure incorrectly capitalised.

Receivables from non exchange transactions - This is a result of PAYE which could not be cleared due to lack of supporting documents as its relates to previous years.

Receivables from Exchange transactions - This is a result of debtors with no supporting documents to validate the debtor which relates to previous year.

Payables from exchange transaction - This is a result of Payables with no supporting documents to validate the debtor which relates to previous year.

Revaluation Reserves - During the review of the AFS conducted it was noted the revaluation was disclosed in the statement of changes in net assets, it should have removed because the Municipality accounts for Property ,Plant and equipment using the cost model and not the revaluation model

Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Interest amounting to R8.281.73 consist of interest on overdue accounts from Telkom and Eskom .

Penalty amounting to R51,412.20 consist of vat penalty from SARS due to the late submission of Vat returns Expenditure incurred on leasing a Firearm from an employee amounting to R131 500.00.

37. Irregular expenditure

| | | |
|--|------------------|------------------|
| Opening balance | 3,123,610 | 1,768,717 |
| Add: Irregular Expenditure - current year | 395,885 | 641,716 |
| Less: Amounts condoned | - | - |
| Discovered during Audit | 122,856 | 713,177 |
| Less: Amounts not recoverable (not condoned) | - | - |
| Amounts not condoned | 3,642,351 | 3,123,610 |

37. Irregular expenditure (continued)

Irregular expenditure consist of SCM deviations amounting to R518 737 during the current period

Contracts awarded in terms of section 36 (Deviations from /and ratification of minor breaches of procurement processes of the supply chain management policy amounted to R 518 737 . These were mainly due to 3 quotations not being obtained and other SCM processes not being complied with.

No unauthorised expenditure was recorded during the 2015 /2016 financial year .

38. In-kind donations and assistance

In-kind Donations provided and gifts received

| | | |
|---|---|----------------|
| In - kind donation provided by the Municipality | - | 4,500 |
| Gift received | - | (7,196) |
| | - | (2,696) |

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|----------------------------|---------|---------|
| Amount paid - current year | 500,000 | 500,000 |
|----------------------------|---------|---------|

Audit fees

| | | |
|----------------------------|-----------|-----------|
| Amount paid - current year | 1,187,514 | 1,083,457 |
|----------------------------|-----------|-----------|

PAYE and UIF

| | | |
|--------------------------------|-------------|-------------|
| Current year Payroll Deduction | 4,376,537 | 3,976,250 |
| Amount paid - current year | (4,376,537) | (3,976,250) |
| | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 5,200,057 | 4,046,587 |
| Amount paid - current year | (5,200,057) | (4,046,587) |
| | - | - |

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2016

2016/2015 2015/2014

| | 2016/2015 | | | | 2015/2014 | | | | Restated | | | | |
|---|-----------------|----------------------------------|-------------|--------------------------------|--------------|------------|-------------|--------------|----------|-----------------|--------------------|--|------------|
| | Original Budget | Budget | Final | Virement | Final Budget | Actual | Actual | Actual | | Reported | Expenditure | Balance to be | |
| | | Adjustments | adjustments | Shifting of | | Actual | Outcome | Unauthorised | | Variance of | Actual | Outcome as % Outcome as % unauthorised authorised in | recovered |
| | | (i.t.o. s28 and s31 of the MFMA) | | funds (i.t.o. approved policy) | | Outcome | expenditure | expenditure | Actual | of Final Budget | of Original Budget | terms of section 32 of MFMA | Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue By Source | | | | | | | | | | | | | |
| Property rates charges | 11,454,188 | - | 11,454,188 | - | 11,454,188 | 11,826,508 | - | 372,320 | 103 % | 103 % | | | 11,603,328 |
| Service charges - electricity revenue | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Service charges - water revenue | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Service charges - sanitation revenue | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Service charges - refuse revenue | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Rental of facilities - other | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Rental of facilities and equipment | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Interest earned - external investments | 800,000 | 726,000 | 1,526,000 | - | 1,526,000 | 1,875,411 | - | 349,411 | 123 % | 234 % | | | 905,810 |
| Interest earned - outstanding debtors | 1,272,000 | - | 1,272,000 | - | 1,272,000 | 2,241,728 | - | 969,728 | 176 % | 176 % | | | 1,123,263 |
| Dividends received | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Fines | 41,128 | - | 41,128 | - | 41,128 | 92,650 | - | 51,522 | 225 % | 225 % | | | 31,550 |
| Licences and permits | 4,873,198 | (1,298,000) | 3,575,198 | - | 3,575,198 | 3,860,691 | - | 285,493 | 108 % | 79 % | | | - |
| Agency services | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Transfers recognised - operational | 65,873,000 | (5,767,000) | 60,106,000 | - | 60,106,000 | 74,971,569 | - | 14,865,569 | 125 % | 114 % | | | 65,339,740 |
| Other revenue | 383,913 | - | 383,913 | - | 383,913 | 603,921 | - | 220,008 | 157 % | 157 % | | | 4,355,856 |
| Gains on disposal of PPE | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | | | - |
| Total Revenue (excluding capital transfers and contributions) | 84,697,427 | (6,339,000) | 78,358,427 | - | 78,358,427 | 95,472,478 | - | 17,114,051 | 122 % | 113 % | | | 83,359,547 |

| | Share of surplus/ (deficit) of associate | | | | | | | | |
|--------------------------------|--|-----------|------------|---|---|------------|------------|---|-------------|
| Surplus/(Deficit) for the year | 20,370,380 | 3,058,000 | 23,428,380 | - | - | 23,428,380 | 15,715,663 | - | (7,712,717) |

8

During the financial year the Municipality undertook a risk assessment review process which was completed as part of risk management plan. The Municipality have put in place risk management structures including development of Risk Management Framework, Risk Management Policy and Risk Management Committee to deal with risk and compliance issues.

The Internal Audit prepared the Risk Based Audit plan which was adopted and approved by the Audit Committee. The Internal Audit Activity reports were presented to the Committee where areas of weaknesses were discussed and brought to management's attention who took corrective measures to resolve them. The management of risks, compliance issues as well as effective governance require ongoing monitoring.

The Effectiveness of Internal Control

The Municipality's system of internal controls was progressing towards improving based on measures being instituted by the current leadership in order to improve control. These internal controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. The Audit Committee reviewed reports from the Internal Audit and we established the internal controls systems were in place and noted there was a lack of adequacy and effectiveness in terms implementation within the Municipality. Even though there were lack of effective systems of internal controls the Municipality responded by appointing a well experienced Chief Financial Officer to strengthening its internal controls systems and going forward such appointment will yield positive results.

Internal Audit Activity

During the year the Committee reviewed the functioning of Internal Audit Activity and was satisfied that the work carried out by the unit. Internal Audit Activity have developed and executed the Risk Based Internal Audit Plan which was approved by the Committee. The Internal Audit Activity during the year has been functioning as per the Internal Audit Charter approved by the Audit Committee.

Adequacy, Reliability and Accuracy of financial Reporting and Information

The Committee performed the review of the Municipality's Annual Financial Statement including the Accounting Policies and commented on the adequacy, reliability and accuracy of financial reporting. This also included reviews undertaken Internal Audit Activity.

**AUDIT ACTION PLAN TO AUDITOR GENERAL'S FINDINGS
FOR 2015/2016 AUDIT**

| No | Identified in audit | Commitment by Management | Action Date | Responsible Official |
|-----------|---|--|--------------------------|--|
| 1 | Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls | Internal audit Internal audit will be requested to implement flowcharts for every process. | Feb 2017 | Internal Audit Municipal Manager |
| 2 | Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored | Vacant positions A commitment was made that the following vacant positions will be filled by 28 February 2017. - Technical services - Corporate services' director, and - Positions within SCM. | Feb 2017 | Council Municipal Manager HR Officer |
| 3 | Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities | Policies and procedures All policies and procedures will be reviewed and amended by February 2017 | Feb 2017 | Council Municipal Manager Management |
| 4 | Develop and monitor the implementation of action plans to address internal control deficiencies | Action plans A consolidated action plan will be developed to address internal and external audit findings. The action plan will be tracked on a quarterly basis for implementation of SMART goals. | Ongoing quarterly | Council Municipal Manager Management |
| 5 | Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to | Filing to be done and managed together with contract management. Reconciliations to be done monthly | Ongoing | CFO Officials in Finance Department |

| | | | | |
|---|--|--|--|--|
| | | and - Positions within SCM. | | |
| 3 | Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities | Policies and procedures All policies and procedures will be reviewed and amended by February 2017 | Feb 2017 | Council Municipal Manager Management |
| 4 | Develop and monitor the implementation of action plans to address internal control deficiencies | Action plans A consolidated action plan will be developed to address internal and external audit findings. The action plan will be tracked on a quarterly basis for implementation of SMART goals. | Ongoing quarterly | Council Municipal Manager Management |
| 5 | Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting | Filing to be done and managed together with contract management. Reconciliations to be done monthly | Ongoing | CFO Officials in Finance Department |
| 6 | Implement controls over daily and monthly processing and reconciling of transactions | Filing to be done and managed together with contract management. Reconciliations to be done monthly | Ongoing | CFO Officials in Finance Department |
| 7 | Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information | Interim financials Interim AFS will be prepared by 31 Jan 2017 Deviation checklists - Deviations checklist for section 32 and 36 of the SCM regulation to be developed by 31 Dec 2016. - SCM checklist and Compliance checklist to be developed by 31 December 2016. | Bi annually Annually Annually | CFO Budget and Reporting Officer CFO/SCM CFO/SCM |

CHAPTER SEVEN: PERFORMANC MANAGEMENT REPORT

MUNICIPAL MANAGER'S FOREWORD

As the Accounting Officer of the Municipality, I confirm that this 2015/2016 Annual Performance Report has been compiled in line with the Local Government: Municipal Systems Act 32 of 2000. The report records the performance and progress achieved by Mkhambathini Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Organizational Scorecard and Service Delivery Budget Implementation Plans (SDBIP) as approved by Council for the 2015/2016 financial year. It also includes corrective action to be taken for targets not met.

The Municipality has made significant progress in the provision of services to its community based on the 2011 census; however the census showed that the level of unemployment rate particularly amongst the youth and poverty within Mkhambathini continues to grow. The agricultural sector which is the dominant sector that contributed to the economy of Mkhambathini continues to decline as a results of climate change as we have recently witnessed draught that impacted all agricultural sector across the country. The leading industries in terms of percentage contribution to Mkhambathini's economy are community services. This necessitates a change in the strategic direction of the Municipality moving forward.

In conclusion; my gratitude is extended to the community of Mkhambathini for their maximum participation in the IDP process; Council and Administration for their commitment to service excellence in Mkhambathini.

Ms T. C. Ndlela

MUNICIPAL MANAGER

THE ASSESSMENT PROCESS AND THE METHODOLOGY FOLLOWED IN COMPILING THE REPORT

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

LEGISLATIVE OVERVIEW

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

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

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

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

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

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

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

The need for each department to also identify performance champions administratively to co-ordinate performance information to support performance managers and leaders is critical for ensuring compliance with reporting requirements. This would include adequate administrative systems such as record keeping, consistency with administrative support officials. Furthermore, ongoing awareness and training is necessary to ensure that the entity is abreast of all performance related issues and how this integrates into other municipal processes. The need for improved Intergovernmental relations to ensure streamlining of performance based reporting processes is also necessary.

This would require that all spheres of government to integrate and co-ordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path. Furthermore the alignment to the national government Medium Term Strategic Framework common goals and targets. It is also deemed appropriate for a common reporting, monitoring and assessment process be developed for all spheres of government in respect of specific key intervention /performance areas.

DEVELOPMENT STRATEGY

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

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

ALIGNMENT WITH NATIONAL AND PROVINCIAL STRATEGIES

Strategic Fit: National

The strategic approach is meant to highlight the impact that the Municipality seek to create in the short to long term period. As indicated in the IDP, in addition to outcome 9, the Mkhambathini will contribute to the attainment of outcomes 2, 4, 5, 6, 8, 9, 10 and 12 with the 5 KPA as the strategic areas for intervention. As such, the development strategy for the Mkhambathini is designed to address issues that are specific to the Mkhambathini while also contributing to the attainment of the national and provincial priorities.

THE LOCAL GOVERNMENT BACK TO BASIC PROGRAMME

agenda which is premised on the need to ensure functional municipalities as outlined by the Minister of Cooperative Governance and Traditional Affairs in his 2014 Budget Vote. The approach is informed by the Constitution, legislation and programmes that are intended at streamlining a new agenda aimed at changing Government's approach and strategic orientation especially at a local level towards serving the people whilst ensuring service delivery.

As part of Government's efforts to recognize and adequately reward good performance and ensure sufficient consequences for under-performance, the Department of Cooperative Governance (DCoG) has developed a set of indicators to be reported on a monthly basis as per the pillars of the Back to Basics Approach. These indicators will function thus to measure whether Mkhambathini Municipality is performing in terms of the basics and these are as follows:-

- Putting people first;
- Delivering basic services;
- Good governance;
- Sound financial management; and
- Building capable local government institutions.

Following the first Back to Basics reporting template sent in terms of the Department of Cooperative Governance Circular No. 47 of 2014, Mkhambathini Municipality's reporting tem is done as per the provided template. According to the circular, Mkhambathini Municipality is obliged to furnish the Minister of COGTA with information on a monthly basis in order to assist in the analysis of the state of local governance within South Africa, and also to afford COGTA the opportunity to make an informed assessment to support and intervene where needed. For the purpose of this report, as most KPI's were not included in the approved PMS, a portfolio of evidence was not retained and was not subjected to a monitoring and review process

LOCAL GOVERNMENT TURN AROUND STRATEGY

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

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

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

- Output 2: Improving access to basic services
- Output 3: Implementation of the Community Work Programme
- Output 4: Actions supportive of the human settlement outcome
- Output 5: Deepen democracy through a refined Ward Committee Model
- Output 6: Administrative and financial capability
- Output 7: Single window of coordination

PRIORITY ISSUES AS IDENTIFIED IN THE 3RD GENERATION IDP

- Delivery of human settlements – housing
- Upgrading and expansion of existing infrastructure
- Inefficient spatial integration and poor land use management.
- Poverty and unemployment.
- Rural development and Urban renewal
- Public participation and Governance
- Insecurity of land tenure
- Infrastructure investment Program
- Debt collection and management

VISION, MISSION AND CORE VALUES

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

ORGANISATIONAL SCORECARD 2015/2016

Performance on SDBIP's for each of the departments is attached as **Appendix 1**, with the assessment being done on reviewed Actuals against Portfolio of evidence submitted by departments. This is still subject to an auditing and verification process. This report is also subject to a formal evaluation process being conducted by the Municipal Manager.

| DEPARTMENT | Planned Target | Target Met | Target In progress | Target Not Met |
|---------------------------------|----------------|------------|--------------------|----------------|
| Office of the Municipal Manager | 23 | 21 | 0 | 2 |
| Financial Services | 27 | 26 | 0 | 1 |
| Corporate Services | 27 | 22 | 0 | 6 |
| Community Services | 41 | 31 | 0 | 10 |
| Technical Services | 22 | 18 | 0 | 4 |
| Total | 140 | 118 | 0 | 23 |

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 140 (relevant and applicable) of which targets on the score-cards forms the basis of this assessment.

From the table above, of the 118 KPI's of targets have been met for the year under review on the SDBIP's holistically, with 0 of targets either partially met. Only 23 of the targets are not met, where an intervention is required

| 1. Social Development and Local Economic Development (KPA) | | | |
|--|----------------|----------|--------------|
| Department | Planned Target | Achieved | Not Achieved |
| Office of the Municipal Manager | 1 | 1 | 0 |
| Financial Service Department | 1 | 1 | 0 |
| Community Services Department | 32 | 23 | 9 |
| Corporate Services Department | 1 | 1 | 0 |
| Technical Services Department | 1 | 0 | 1 |

| 2. Financial Viability and Management (KPA) | | | |
|---|----------------|----------|--------------|
| Department | Planned Target | Achieved | Not Achieved |
| Office of the Municipal Manager | 1 | 1 | 0 |
| Financial Service Department | 21 | 20 | 1 |
| Community Services Department | 4 | 4 | 0 |
| Corporate Services Department | 0 | 0 | 0 |
| Technical Services Department | 2 | 2 | 0 |

CAPITAL PROGRAMME PERFORMANCE 2015/16

A detailed capital status report highlighting the status of the capital programme as at the 30 June 2016.

Project planned that are still in Progress for the 2015/2016 Financial Year

| PROJECT NAME | WARD | STATUS OF THE PROJECT |
|-------------------------|------|--|
| Mthayi Access Road | 3 | Project completed |
| Mantungweni Access Road | 7 | Project Completed |
| Hlukana Community Hall | 2 | To be completed by end of September 2016 |
| Mpangisa Community Hall | 6 | To be completed by end of September 2016 |
| Dukes Community Hall | 4 | To be completed by end of August 2016 |
| Bebhuzi Sports Field | 2 | Due to draught project is being delayed and will be finished after the first rainy season. |

Project Completed

| PROJECT | WARD No | VALUE | COMPLETION DATE |
|-------------------------------|---------|----------------|-----------------|
| MAQONGQA SPORTFIELD | 1 | R 1 200 000.00 | DEC 2015 |
| KWAPONI SPORTFIELD | 5 | R 3 475 000.00 | AUG 2015 |
| STINGINI COMMUNITY HALL | 1 | R 1 987 000.00 | AUG 2015 |
| KWAGIJIMA CRECHE | 3 | R 1 680 000.00 | SEPT 2015 |
| MAKHALANJALO ACCESS ROAD | 2 | R 1 485 000.00 | JUNE 2015 |
| CHARLSE MKHIZE COMMUNITY HALL | 6 | R 2 168 000.00 | AUG 2015 |
| KWAPONI COMMUNITY HALL | 4 | R 2 168 000.00 | AUG 2015 |

- f. Regular monitoring and oversight required for all targets set;
- g. That project task teams be established for all projects where co-ordination and integration is required;
- h. That a system be developed to ensure monitoring of all service providers;
- i. That Intergovernmental Relations structures be established to better align and coordinate development priorities and reporting requirements for the Municipality;
- j. That a baseline study be conducted on basic services to ensure alignment with internal statistics, Stats' SA and other sources.

CHALLENGES 2015/2016

- Late Appointment of Service Providers causing delays in implementation and completion of capital projects;
- Inability to fill critical positions at management level;
- Lack of detailed maintenance plan to facilitate maintenance of municipal infrastructure;
- Lack of strategy to implement special programs;
- Lack of Agricultural Development Strategy to alleviate poverty' and
- Insufficient own revenue to support services delivery initiatives.

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

| BID NO. | DESCRIPTION | SERVICE PROVIDER AWARDED TO | CONTRACTED AMOUNT PER CONTRACT | DATE OF AWARD | DATE CONTRACT TERMINATED | REASON FOR TERMINATION | Assessment of Service Provider's Performance |
|-----------------|--|-------------------------------------|--------------------------------|---------------|--------------------------|------------------------|--|
| MKH0201 3/19 | Rehabilitation of Fairview Road | Nyaniso Contracting and trading | R381 672.50 | 23 JAN 2015 | N/A | N/A | Good |
| MKH0201 3/20 | Construction of Stingini Community Hall | Akwande Civils | R1 986 579.28 | 19 JAN 2015 | N/A | N/A | Satisfactorily |
| MKH0201 3/21 | Construction of KwaGijima Creche | Zulu Construction & General Trading | R1 246 516.12 | 19 JAN 2015 | N/A | N/A | Good |
| MKH0201 3/22 | Construction of Makhalanjalo Access Road | Sibani Trading cc | R1 485 383.06 | 19 JAN 2015 | N/A | N/A | Good |
| MKH0201 3/23 | Construction of Mahlabathini Sportfield | PEE 4 EEM Construction & Projects | R2 423 544.11 | 19 JAN 2015 | N/A | N/A | Satisfactorily |

| | | | | | | | |
|-----------------|---|---------------------------------|----------------|----------------|-----|-----|----------------|
| MKH0201 3/30 | Electrification of Itala Valley and Eston Farms | Ikhwezi Trading and Projects | R3 187 761 .08 | 23 JAN 2015 | N/A | N/A | Satisfactorily |
| MKH0201 3/31 | The supply and delivery of a 4x4 Bakkie | Hampson Auto | R479 859 .94 | 23 JAN 2015 | N/A | N/A | Good |

| | | projects | capital budget)100 | | | | | | | | | |
|-------|---|--|---|-----|---------------|-----|--------------|----------|---|--|--|--|
| BS003 | To develop, manager and maintain governance and stakeholders relationship and partnership | Provide refuse removal services to all households within the town area | Number of household provided with the service | 480 | 480 | 480 | Achieved | R300 000 | N/A | N/A | | |
| | | Provide refuse bags to all households receiving refuse removal | Number of household provided with refuse bags | 480 | 480 | 480 | Achieved | R100 000 | N/A | N/A | | |
| BS004 | To ensure safe and healthy environment | Develop and implement waste management plan | Date adopted | 0 | 31 March 2016 | | Not Achieved | Opex | Delays in soliciting input/feedback from National Department of Environmental Affairs | Draft Waste Management Plan in progress. To be finalized in the 2 nd Quarter of the 2016/2017 | | |
| BS005 | To improve the performance and | Ensure that the EDP & HR Committee is | No of meetings held | 4 | 3 | | Not Achieved | Opex | Meeting not quote | A schedule of meeting will be developed and communicated timely to all councilors | | |

| BS010 | To provide basic infrastructure services to indigent communities | maintenance plan to inform the budget | maintenace plan prepared and adopted | Annual KPI | 2016 | Achieved | | target was not met | will be prepared as per project list from council. | | | | |
|-------|--|---------------------------------------|---|------------|--------------|----------|--|--------------------|--|--|--|--|--|
| BS011 | | Construct Rural Roads | Date of completion of Mthayi Road | Annual KPI | 30 June 2016 | Achieved | | N/A | N/A | | | | |
| BS012 | | Construction of Community Hall | Date of Completion of Dukes Community Hall | Annual KPI | 30 June 2016 | Achieved | | N/A | N/A | | | | |
| BS013 | | | Date of Completion of Mpangisa Community Hall | Annual KPI | 30 June 2016 | Achieved | | N/A | N/A | | | | |
| BS014 | | | Date of Completion of Hlukana Community hall | Annual KPI | 30 June 2016 | Achieved | | N/A | N/A | | | | |

| | | | | | | | | | | | |
|--|--|--|--|---|--|----------------------------------|--|--|--|--|--|
| | | | | of basic electricity to the community | | electrified by end of June 16 | | | | | |
|--|--|--|--|---|--|----------------------------------|--|--|--|--|--|

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| | staff to ensure effective service delivery | Finance Staff | Training | | | | Budget | |
|---------|--|---|--|---------------|---------------|----------|-------------|-----|
| MTID005 | Create Job opportunities | Create 81 EPWP job opportunities | Total number of jobs created | 81 | 81 | Achieved | R 1 053 000 | N/A |
| MTID006 | To develop staff to ensure effective service delivery through training | Award staff members with bursaries | Date by which staff members are awarded with bursaries | 31 March 2015 | 31 March 2016 | Achieved | R 350 000 | N/A |
| MTID007 | To provide skills development programme for staff and councilors | Conduct training as per workplace skills plan (WSP) | Number of Training conducted as per WSP | 0 | 8 | Achieved | | N/A |
| MTID008 | | Adoption of WSP | Date WSP submitted to LGESTA | 31 April 2015 | 30 June 2016 | Achieved | | N/A |
| MTID009 | To ensure that employment equity targets | Review of Employment Equity Plan | Date EEP Reviewed | 30 June 2015 | 30 June 2016 | Achieved | Opex | N/A |

| | | | | | | | | | | | | | |
|---|---|---|-----------------------------------|--------------|--------------|--------------|----------------------------|--|---|-----|--|--|-----|
| wellness and occupational health and safety | programme and OH & S implemented | of Employee wellness programme | | | | | | | | | | | |
| MTID016 | | Date of implementation of OH&S programme | New KPI | 30 June 2016 | Not Achieved | Opex | OHSS Committee not trained | Health and Safety committee will be trained and the implementation plan will be implemented. | | | | | |
| MTID017 | To improve standard of administrative and auxiliary support | Old documents disposed of in terms of legislation | Date of disposal of old documents | New KPI | 30 June 2016 | Not achieved | Opex | Assessment of registry was only finalized in June | A plan have been put in place to select documents older than five year to be sent to national achieves. | | | | |
| MTID018 | To ensure that municipal fleet is safeguarded | | | | | Achieved | | | | N/A | | | N/A |
| MTID019 | | | | | | Achieved | R50 000 | | | N/A | | | N/A |
| MTID020 | To ensure that the community is well informed of the Municipal Activities | | | | | Achieved | Opex | | | N/A | | | N/A |

**Outcome 9: Community Works Programme Implemented and Cooperative Supported
National Key Performance Area (KPA): Social Development & Local Economic Development**

| IDP REF. NO. | Strategic Objective | Measurable Output | Performance Indicator | Baseline | Annual Target 15/16 | Actual Achieved 15/16 | Budget | Reason For Variance | Corrective Measure |
|--------------|---|---|-----------------------|----------|---------------------|-----------------------|--------------------|---------------------|--------------------------------|
| LED001 | To pursue investment in strategic infrastructure necessary to attract and maintain business | To identify rural economic development projects | No of project visited | New KPI | 4 | Achieved | R50 000 | N/A | N/A |
| LED002 | Increase number of ward made to emerging business | Number of awards made to BEE companies | No of awards made | 12 | 20 | Achieved | Part of SCM Budget | N/A | N/A |
| LED003 | To provide support on | Disaster management Plan Developed and | Date of Disaster | 0 | 30 June 2015 | Not Achieved | R45000 | The development | Draft disaster management plan |

| | | | | | | | | | | |
|---------|----------------------------------|---|----------------------------|------------------|--------------|---------------|--------------|-----------|---|---|
| LED0011 | | Coordinate handover of ECD centres (W1 and W3) | disability forum | Date of Handover | 0 | 31 March 2016 | Not Achieved | | Awaiting directive from the office of the Mayor | Awaiting directive from the office of the mayor |
| LED0012 | To promote sports and recreation | Sports Programme Implemented (Local Selections, District, SALGA games and Golden Games) | No of Sports Events Held | 2 | 3 | | Achieved | R1million | N/A | N/A |
| LED0013 | | SALGA KZN Sports Programme Implemented | Date Provincial SALGA Game | 31 December 2014 | | December 2015 | Achieved | | N/A | N/A |
| LED0014 | | Launch of New Sport Council | Date of Launch | 0 | 30 June 2016 | | Not Achieved | | Postponement of the local government election as the new sports council would | Target Moved to Q1 of the 2016/17 |

| | | | | | | | |
|--------|--|-----------------------------|---------|-------------------|----------|------------|--|
| LED021 | Establish and launch of informal economy chamber | held Date of Launch | New KPI | 30 September 2015 | Achieved | N/A | N/A |
| LED022 | Establish and launch of local tourism forum and community tourism organization | Date of launch | New KPI | 30 September 2015 | Achieved | N/A | N/A |
| LED023 | Develop Mkhambathini Informal Economy by-law. | Date of adoption by council | New KPI | 30 June 2016 | Achieved | R1 million | Awaiting the informal traders by-law framework from the Department of Economic Development Draft in place. Target moved to Q2 of the 2016/17 financial year |
| LED024 | Training of pre established Pty and cc companies | No of training held | New KPI | 1 | Achieved | | Lack of capacity and poor coordination Target moved to Q3 of the 2016/2017 financial year |
| LED025 | Development and approval of LED strategy | Date of adoption by council | New KPI | 30 June 2015 | Achieved | | Internal SCM delays have caused the target to be Target moved to Q2 of the 2016/17 financial year |

| | operation | Sukuma Sakhe Task Team | held | | | | | | | |
|--------|--|---|---|---------|--------------|--------------|-------------|---|--|-----|
| LED031 | Sakhe Programme | Coordinate Mandala Day and Public Service Volunteer Week Activities | Date of activities | New KPI | 31 July 2015 | Achieved | | N/A | N/A | N/A |
| LED032 | To provide efficient and | Library Week Activities | No of event held | 1 | 1 | Achieved | R74 000 000 | N/A | N/A | N/A |
| LED033 | effective library services | Conduct Library Outreach Programme | No of event held | 2 | 2 | Achieved | | N/A | N/A | N/A |
| LED034 | | Facilitate Training on Basic Compute Skills | No of training held | New KPI | 2 | Achieved | | N/A | N/A | N/A |
| LED035 | To promote culture of learning and enhance social development | Train unemployed youth | Number of trained unemployed youth in brick laying and plastering by 30 June 2016 | New KPI | 21 | Achieved | | N/A | N/A | N/A |
| LED036 | To ensure provision, upgrading and maintenance of infrastructure | Job creation through maintenance programme | Number of jobs created through maintenance programme by end of March | New KPI | 49 | Not Achieved | R 7 000 000 | The existing maintenance plan did not incorporate the municipal properties it | Maintenance of municipal properties has been scheduled for the new financial year. | |

Outcome 9: Improved Municipal Financial and Administrative Capability
National Key Performance Area (KPA): Financial Viability and Management

| IDP REF NO. | Strategic Objective | Measurable Output | Performance Indicator | Baseline | Annual Target 15/16 | Actual Achieved 15/16 | Budget | Reason For Variance | Corrective Measure |
|-------------|---|---|------------------------------------|----------|---------------------|-----------------------|--------|---------------------|--------------------|
| FV001 | To ensure that the budget is spent according to budget projection | Review and comment on monthly budget expenditure | No of Expenditure Reports Reviewed | 12 | 12 | Achieved | Opex | N/A | N/A |
| FV002 | To improve expenditure control | Month reconciliation of creditors and bank balances | No of Monthly Reconciliation | 3 | 12 | Achieved | Opex | N/A | N/A |
| FV003 | To improve reporting control | Compliance with prescribed date of monthly returns | No of returns submitted | 3 | 12 | Achieved | Opex | N/A | N/A |
| FV004 | | Compliance | No of Annual | 1 | 1 | Achieved | Opex | N/A | N/A |

| | | | | 2015 | 2016 | | | | | | | |
|--------|--|---|--------------------------------------|----------------|----------------|--------------|------|--------------------------|--|--|--|-----|
| FV009 | To improve the budgeting and reporting process | obsolete and disposed off Budget/IDP Process Plan Adopted | disposal Date of adoption by council | 30 August 2015 | 30 August 2016 | Achieved | Opex | N/A | N/A | | | N/A |
| FV010 | | Submission of all monthly returns | No of Returns Submitted | 12 | 12 | Achieved | Opex | N/A | N/A | | | N/A |
| FV011 | | Submission of all quarterly returns | No of Returns Submitted | 4 | 4 | Achieved | Opex | N/A | N/A | | | N/A |
| FV012 | Compilation of AFS | AFS submission | Date of Submission | 31 August 2015 | 31 August 2016 | Achieved | Opex | N/A | N/A | | | N/A |
| FV013 | Complete FAR | Fixed Asset Register Reconciled with general ledger | NO of Reconciliation | 12 | 12 | Achieved | Opex | N/A | N/A | | | N/A |
| FV014 | To Improve income control | Total number of customer -- database | % customers billed /Total | 100% | 100% | Achieved | Opex | N/A | N/A | | | N/A |
| FV015V | To Improve income control | Cash collected from customers | No of days outstanding | 180 days | +180 days | Not achieved | Opex | Long outstanding debtors | Need to improve credit control and debt collection | | | |

| | | | | | | | | | |
|-------|--|---|--|---------|------|----------|-------------|-----|-----|
| FV020 | To Improve income control | R debtors outstanding as a % of revenue received for services | operating expenditure % achieved (total outstanding debtors/actual revenue received for services) x 100 | 12 | 12 | Achieved | Opex | N/A | N/A |
| FV021 | To ensure that VAT is accounted for | VAT reconciliation performed | Number of Reconciliation performed | New KPI | 12 | Achieved | Opex | N/A | N/A |
| FV022 | To ensure that the system of internal control is working effectively within he payroll section | Monthly Payroll Reconciliation Performed | Number of Reconciliation Performed | New KPI | 12 | Achieved | Opex | N/A | N/A |
| FV030 | To ensure functional EPWP Programme | Spend 100% of the EPWP allocation by June 2016 | % spent on EPWP allocation | 100% | 100% | Achieved | R 1 053 000 | N/A | N/A |
| GG003 | To implement and maintain | Update and report on the | Number of Reports | 4 | 4 | Achieved | Opex | N/A | N/A |

| | | | | | | | | | | |
|-------|---|--|---------------|-----------------------------|---|---|----------|------|-----|-----|
| FV035 | To practice sound financial management principles | Submit Report of EDP Portfolio Committee by 30 June 2016 | end June 2016 | Number of Reports Submitted | 3 | 4 | Achieved | Opex | N/A | N/A |
|-------|---|--|---------------|-----------------------------|---|---|----------|------|-----|-----|

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|-------|--|-------------------------------------|---------------|---------------|---------------|-----------|--|--|-----|
| GG014 | National Treasury | Annual Report Developed and Adopted | Date Adopted | 31 March 2015 | 31 March 2015 | Achieved | R 150 000 | N/A | N/A |
| GG015 | Oversight Process Facilitated and Adopted | Date Adopted | 31 March 2015 | 31 March 2016 | Achieved | Opex | N/A | N/A | |
| GG016 | Coordinate Municipal Public Accounts Committee | Number of meetings held | 4 | 2 | Not Achieved | Opex | There has been a lack of coordination of the sitting of portfolio committees due to non-availability of schedule of meetings | The schedule of meeting for the financial year have been developed and will be communicated to all stakeholders after the formulation of new council committee | |
| GG017 | Review and update the IDP | Facilitate IDP Representative Forum | 1 | 2 | Achieved | R 400 000 | N/A | N/A | |
| GG018 | | Date of | 31 March | 31 March | Achieved | | N/A | N/A | |

| | To provide reasonable assurance on the adequacy and effectiveness of internal control system | Audit Plan | | September 2015 | September 2016 | Achieved | | N/A | N/A |
|-------|--|---|--|----------------|----------------|----------|--|-----|-----|
| GG023 | assurance on the adequacy and effectiveness of internal control system | Legislative Compliance (including Completion of declaration of interest form by each employee) improved | | 4 | 4 | Achieved | | N/A | N/A |
| GG003 | To ensure that the risk management process is functioning efficiently and effectively | Update and report on risk management register | | 4 | 4 | Achieved | | N/A | N/A |
| GG011 | To transform the Municipality into a performance driven organization | OPMS reviewed and implemented | Number of municipal performance report submitted | 4 | 4 | Achieved | | N/A | N/A |
| GG021 | To ensure that the Municipality is legally compliant | Legal compliance monitored | No of compliance report | 4 | 4 | Achieved | | N/A | N/A |

| | maintain user Departments with ICT requirements | Supported | time for call out resolution | | | | | | | |
|-------|--|--|---------------------------------------|-------------|--------------|--|--|------|-----|-----|
| GG025 | | System maintained | 100% uptime | 100% uptime | 100% uptime | | | Opex | N/A | N/A |
| GG026 | To ensure that intergovernmental relations structures function effectively within the district | To attend the ICT forum | No of meetings attended | 4 | 4 | | | Opex | N/A | N/A |
| GG027 | To improve performance and functioning of the Municipality | Number of Council and Committee Meeting Held | No of Council Meeting Held | 11 | 11 | | | Opex | N/A | N/A |
| GG029 | | Committee Meeting Held | No of EXCO meeting held | 11 | 11 | | | Opex | N/A | N/A |
| GG030 | | | Number of Local Labour Forum Held | 4 | 4 | | | Opex | N/A | N/A |
| GG031 | To ensure that job task are documented | Prepare Draft Job Descriptions | No of Draft Job Description Finalised | New KPI | 30 June 2016 | | | Opex | N/A | N/A |
| GG032 | | Job Descriptions Evaluated | Date Job Evaluation Finalised | New KPI | 30 June 2016 | | | Opex | N/A | N/A |

**Outcome 9 Improved Municipal Financial and Administrative Capability
National KPA: Cross Cutting Interventions.**

| IDP REF NO. | Strategic Objective | Measurable Output | Performance Indicator | Baseline | Annual Target 15/16 | Actual Achieved 15/16 | Budget | Reason For Variance | Corrective Measure |
|-------------|--|---|-----------------------|----------|---------------------|-----------------------|--------|---------------------|--------------------|
| CCI1 | To facilitate spatial development in the entire area of Mkhambathini Municipality | Turnaround time to finalise PSA application | Turn Around Time | 3 months | 3 months | Achieved | Opex | N/A | N/A |
| CCI2 | To Ensure that Planning and Development priorities of the Municipality are accounted for | Submit reports on planning and development issues of the Municipality | No of Reports | | 4 | Achieved | Opex | N/A | N/A |
| CCI3 | To facilitate and review spatial development framework. | Review and submit SDF to Council for adoption | Date Adopted | 30 June | 30 June | Achieved | Opex | N/A | N/A |