



DRAFT ANNUAL REPORT

2016/2017

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CHAPTER ONE: MAYORS FOREWORD AND EXECUTIVE SUMMARY

1.1 MAYORS FOREWORD

It is my pleasure to be presenting the 2016/2017 Annual Report of the uMkhambathini Municipality.

Local government is synonymous with challenges as well as high expectations from the community and 2016/2017 has been no exception. The vision of uMkhambathini 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 2016/2017 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 2016/2017. It improved on its liquidity levels of the previous year and ended the year with a cash surplus of R36 190 498, excluding non-cash transactions.

The Municipality has witnessed a steady spin offs on all projects that it planned to undertake in 2016/2017 resulting in moving from one of the non performing municipality to a green status through Municipal Infrastructure Grant spending. We have heard the cry from our people living in farm lands regarding lack of service delivery. The municipality is engaging farm owners with an aim to reach an agreement of accessing household within their land to fast track service delivery.

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

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 driven.

We remain committed and steadfast as Council and administration in realising our vision of sustainable developmental municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development.

Cllr E. Ngcongo

His Worship the Mayor

MUNICIPAL MANAGERS OVERVIEW

It is my pleasure to share the achievements attained by the municipality during the year under review. The year under review signified a turning point for the municipality in 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.

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 June 2017 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

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

BACKGROUND DATA

Mission

By the Year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic services, social, economic and environmental development.

Mission Statement

Mkhambathini Municipality commits itself to the following:

- *Upholding our leadership vision;*
- *Working with integrity in an accountable manner towards the upliftment of the community;*
- *Protecting and enhancing the interest of our clients at all times*
- *Consistently performing our function with transparency honesty and dedication in dealing with clients;*
- *Responding promptly to the needs of our clients;*
- *Subscribing to the Batho Pele principles*

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*

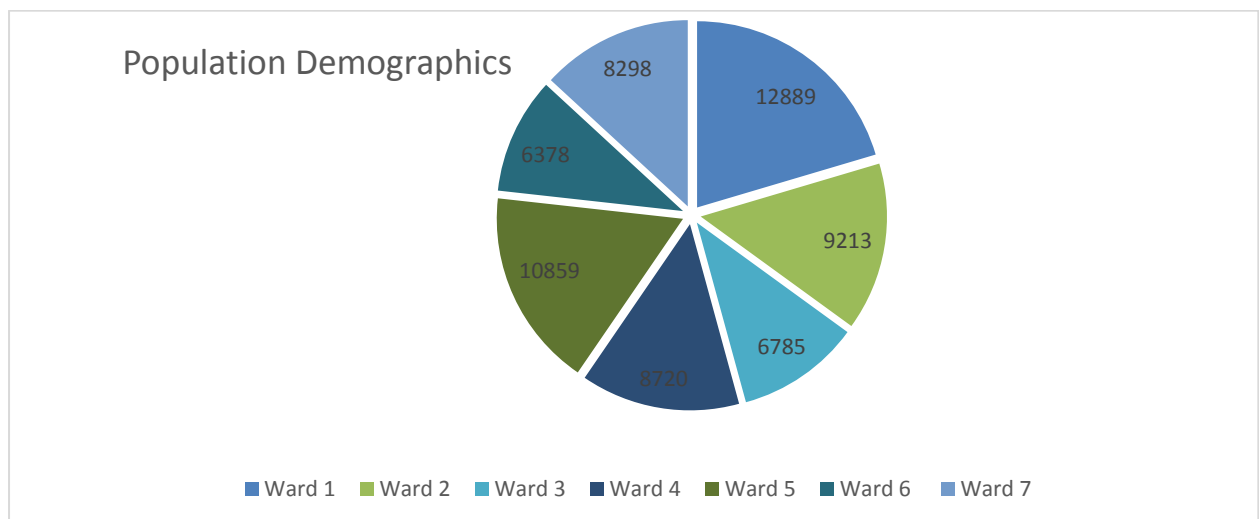
LOCALITY

Mkhambathini Local Municipality is situated along the southern-eastern periphery of UMgungundlovu District Municipality and adjoins Richmond and Msunduzi Local Municipalities to the west, uMshwathi Local Municipality to the north and Durban/eThekweni Metropolitan area to the east, the Camperdown area is only 30 minutes away from Durban's international airport and Africa's busiest harbour.

DEMOGRAPHICS

In terms of 2011 Census Survey, Mkhambathini Municipality has a total of 63142 people. Out of this number, statistics show that 16 260 voters were registered as at June 2012 (IEC Statistics).

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



POPULATION BY AGE GROUP

The table below indicates the municipality age profile. It is evident that the majority of Mkhambathini Population is in the children's group (between 0-4 years) which is at 7397 followed by teenage group (between 15-19 years) which is 6747. The third largest population group is the youth aged 20-24 years, which is at 6818. The female category indicates the largest group of the population.

Table 1: Population by Gender and Age Group

Population Details			Population '000
	Year -0		
Age Group	Male	Female	Total Age Group
0-4	3677	3720	7397
5-9	3208	3143	6351
10-14	3174	3085	6259
15-19	3441	3306	6747
20-24	3423	3395	6818
25-29	3011	3108	6119
30-34	2186	2306	4492
35-39	1805	1969	3774
40-44	1366	1656	3022
45-49	1237	1609	2846
50-54	955	1331	2286
55-59	961	1194	2155
60-64	773	1042	1815
65-69	459	625	1084
70-74	255	528	783
75-79	152	333	486
80-89	119	305	424
85+	67	216	284
Total	30270	32872	63142

The composition of the above population indicates that the youth and females 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 indicates 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.

DWELLING TYPE

Table 2: Dwelling Type

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

Source: Stats SA Census 2011

ACCESS TO BASIC SERVICES

WATER

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

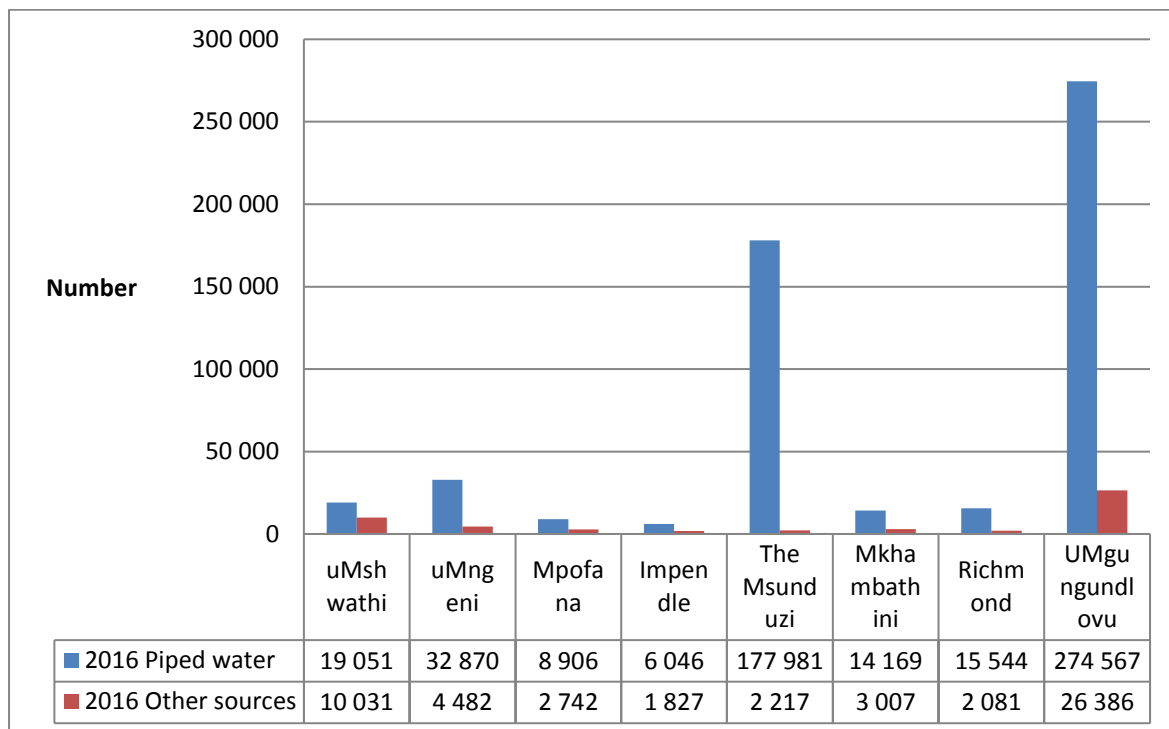
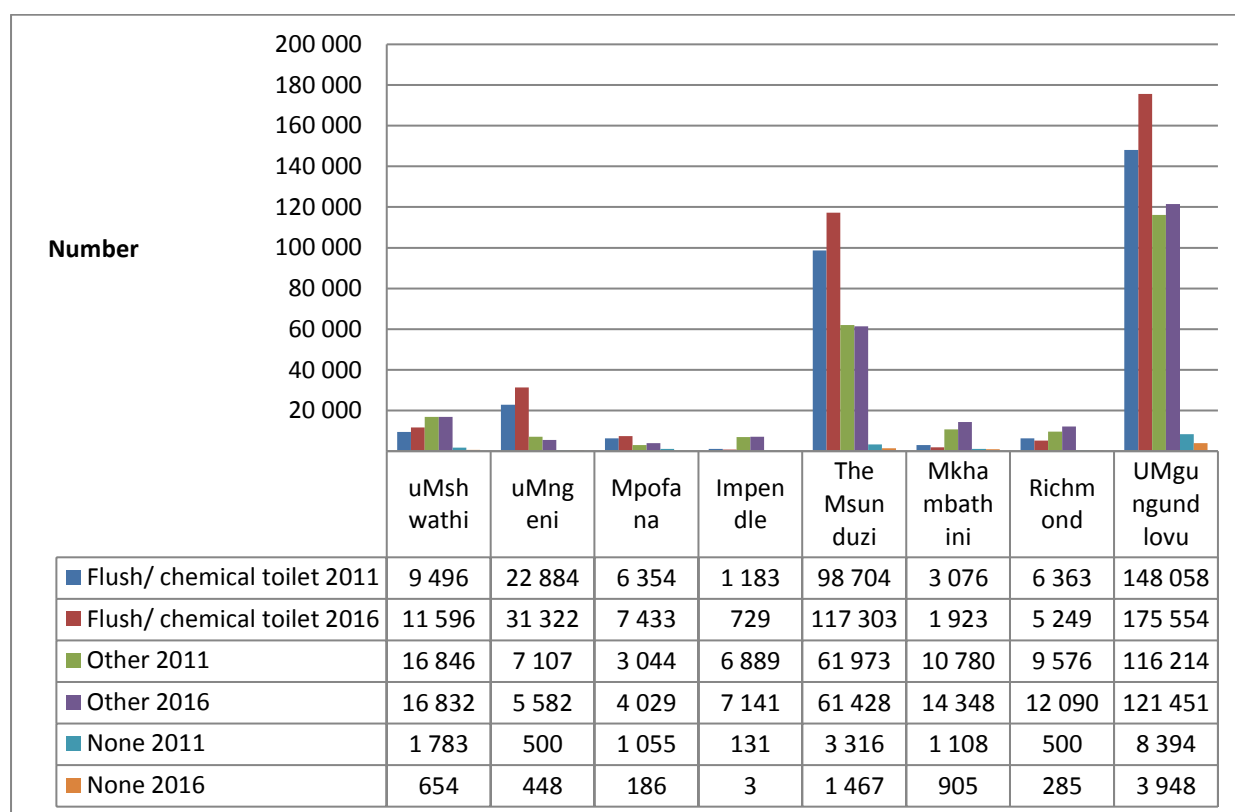


figure 1- Community Survey 2016 - (Stats SA)

SANITATION

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

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



ELECTRICITY

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

Connected to Electricity per Local Municipality within uMgungundlovu District

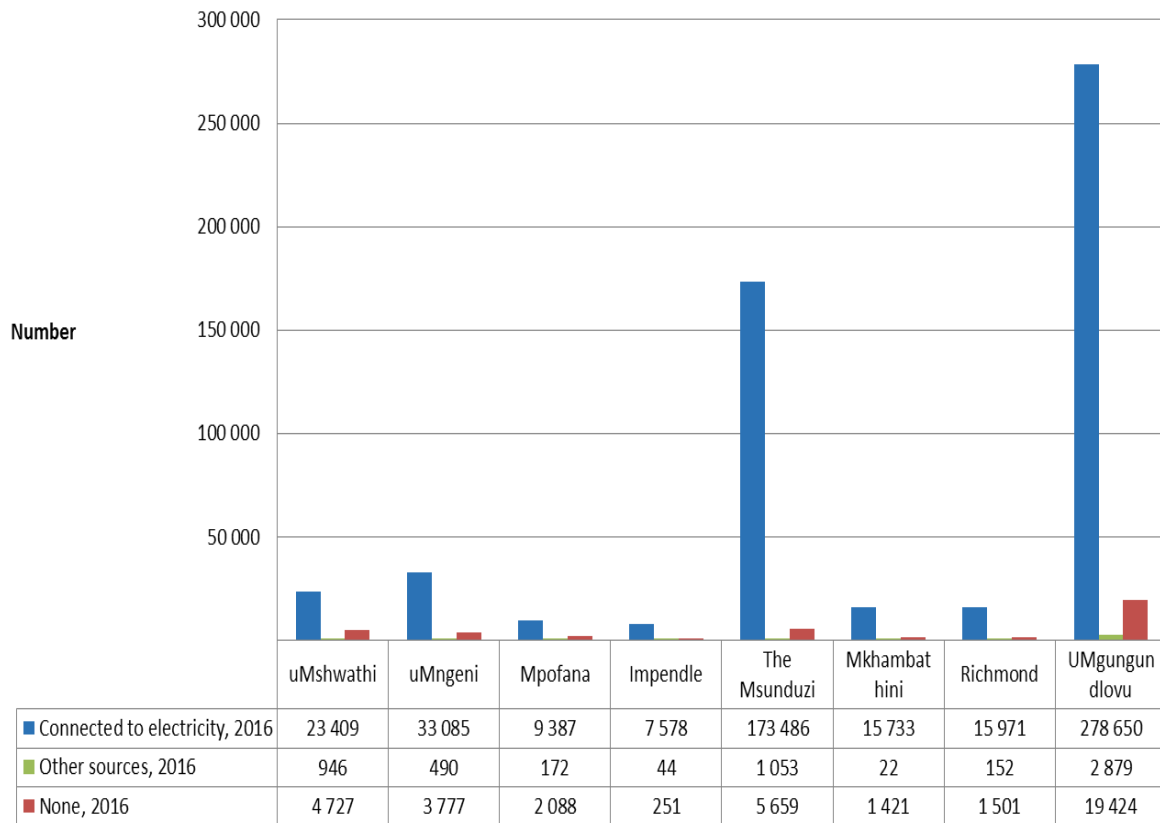


Figure 2: Community Survey (2016) : Electricity

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



HOUSING

The provision of housing is the mandate of the Provincial Department of Human Settlement (DHS) and the municipality plays an active role in the coordination of the housing development projects by making land available for such development, providing lists of beneficiaries, identifying challenges and resolving them with local stakeholders like ward Committees and Traditional leaders. Disputes over ownership, illegal transfer and occupation, illegal

connection of electricity and water in various projects. The Municipality's 2016/2017 IDP identifies the housing demand to be 3000 in Urban areas and 16 000 in rural areas

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

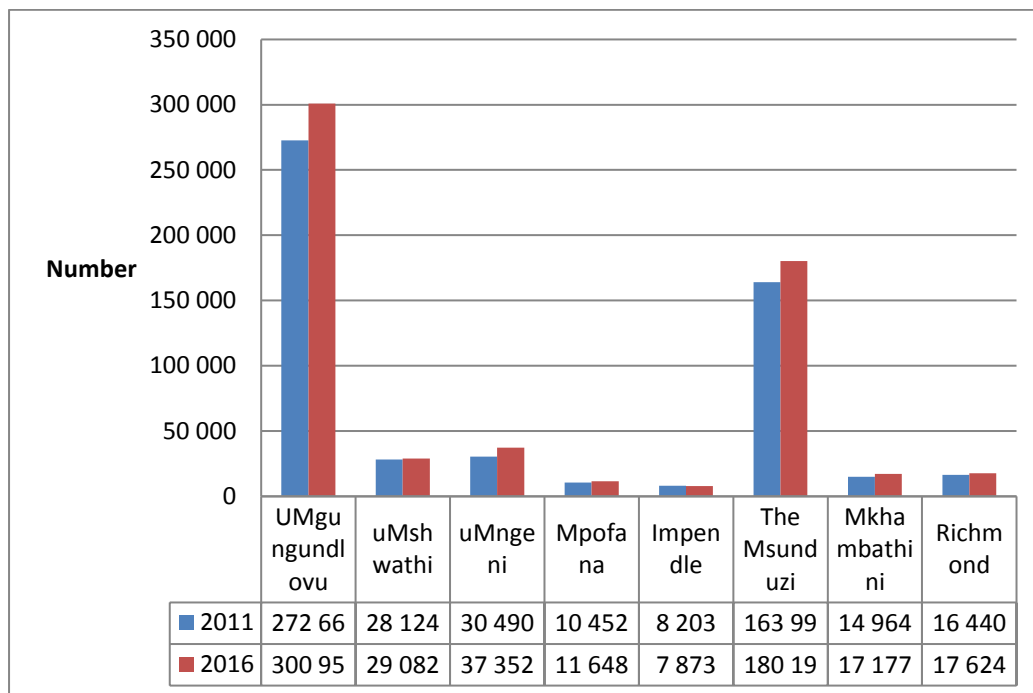


Figure 3 : Community Survey (2016) : Housing



**DWELLING TYPE PER LOCAL MUNICIPALITY WITHIN
UMGUNGUNDLOVU DISTRICT 2011-2016**

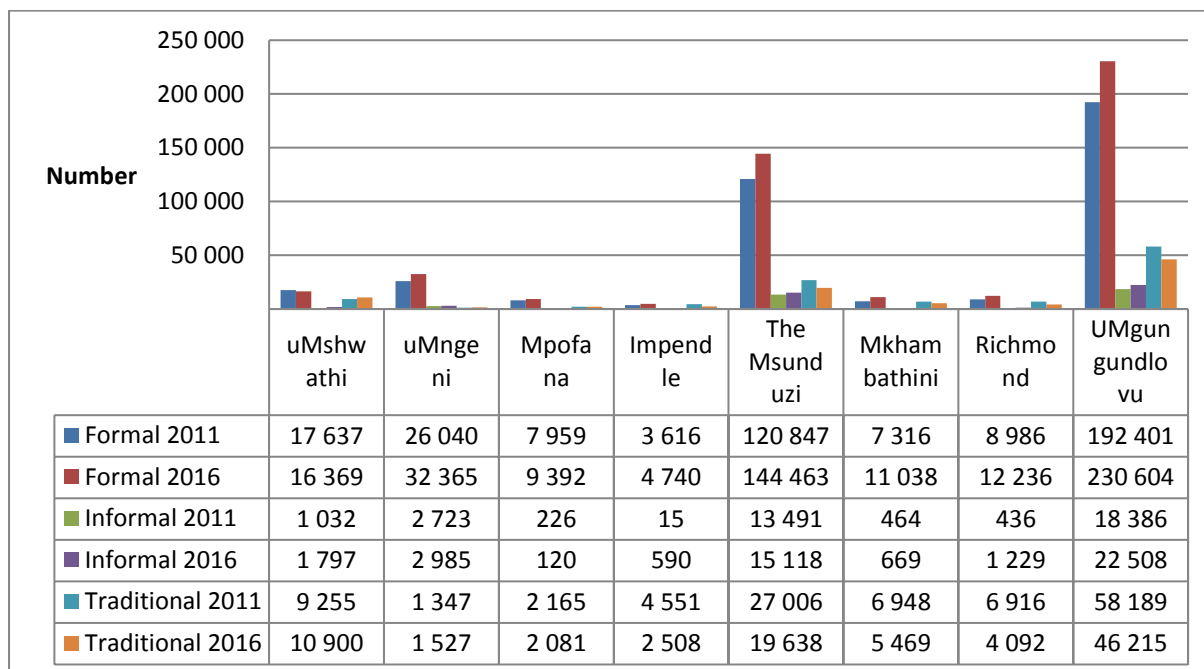


Figure 4 : Community Survey (2016) Dwelling per Local Municipality

ROADS

INTRODUCTION TO ROADS

Gravel access roads are continuously provided with the available budget and existing roads resealed according to the Pavement Management System which is continuously reviewed.

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

Performance Summary of Road infrastructure Services overall in the 2015/2016 and 2016/2017 year is as follows:-

ROAD NAME	VALUE	WARD	Year 2015-2016/ 2016/2017
Mthayi Access Road	R 2 505 071.38	03	2015/2016
Pontsho Access Road	R 1 881 000.00	03	2015/2016
Banqobile Access Road	R 1 171 115.20	05	2016/2017
Gcina Access Road	R1 767 283.35	01	2016/2017
Ismont Road	R 2 406 927/60	06	2015/2016
Mantungweni Access Road	R 1 493 633.46	07	2015/2016

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 10.07 km 2016/2017.

1.4 FINANCIAL HEALTH OVERVIEW

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

Annual Financial Statements:

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

The annual financial statements for the financial year 2016/2017 was compiled in terms of Generally Recognized Accounting Practice (GRAP) and is on target to be submitted by the 31 August deadline.

Revenue Classified by main Revenue Source

Description	Current Year 2016/2017			
	Original Budget	Adjusted Budget	Full Year Forecast	Pre- Audit
Revenue by Source				
Property Rates	12 662 927		12662927	
Property Rates – Penalties and Collection Charges	70051		70051	
Service Charges	-			
Service Charges Electricity Revenue	--	-	-	-
Service Charges Water Revenue	-	-	-	-
Service Charges Refuse Removal	-	-	-	-
Service Charges Other	500 000	-	500 000	-
Rental Facilities and Equipment	-	-	-	-
Interest Earned – External Investment	1650 000	817 255	2467255	-
Interest Earned Outstanding Debtors	1176039	-	1176039	
Dividends Received	-	-	-	-
Fines	-	-	-	-

Licences and Permits	3922956	468227	4391183	-
Agency Services	-	-	-	-
Transfers Recognised Operational	52190835	-	52190835	-
Other Revenue	803 393	-	803 393	-
Gain on Disposal of PPE	-	-	-	-
Total Revenue (Excluding capital transfers and contribution)	72 481 201	-	73 766 683	-

Table 3- Revenue Classified by Main Revenue

OPERATING RATIOS

OPERATING RATIOS	
Employee Cost	46%
Repairs and Maintenance	3%
Finance Charges and Impairments	0%

Table 4- Operating Ratios

CAPITAL EXPENDITURE

Total Capital Expenditure Year -2 to Year -0			
	Year - 2	Year -1	Year -0
Original Budget	24 364 100	22 985 000	19 426 000
Adjustment Budget	-	-	18 697 000
Actual	-	-	15 659 289

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL PERFORMANCE

The municipality embarked on reviewing its policies towards the end of the financial year. Council and Staff were workshopped on all municipal policies. After much consideration of these policies Council resolved to adopt them on 22 June 2017.

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

1.6 AUDITOR GENERAL'S REPORT

The Municipality obtained an unqualified audit opinion with emphasis of matter. The full report of the auditor general is detailed under Chapter 5 of this report.

STATUTORY ANNUAL REPORT PROCESS

NO	ACTIVITY	TIMEFRAME
1.	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting format to ensure that reporting and monitoring feeds seamlessly into the annual report process at the end of the budget/IDP implementation period.	July
2.	Implementation and monitoring of approved Budget and IDP commences (in-year financial reporting).	
3.	Finalise the 4 th quarter Report for the previous financial year.	
4.	Submit draft year 0 Annual Report to Internal Audit and Auditor General.	
5.	Municipal entities submit draft annual report to MM	
6.	Audit/Performance Committee consider draft annual report of municipality and entities (where relevant)	August
7.	Mayor table the unaudited annual report	
8.	Municipality submit draft annual report including consolidated annual financial statements and performance report to Auditor General.	
9.	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase.	
10.	Auditor General Audit Annual Report including consolidated Annual Financial Statements and Performance Data.	
11.	Municipalities receive and start to address the Auditor General's Comments	September/October
12.	Mayor tables Annual Report and audited Financial Statement to Council complete with the Auditor General's Report	November

13	Audited Annual Report is made public and representation is invited.	
14	Oversight Committee Assesses Annual Report.	
15	Council Adopts Oversight Report	
16.	Oversight Report is Made Public	December
17.	Oversight Report is submitted to relevant provincial treasury	
18	Commencement of draft Budget/IDP finalisation for the next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2 GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE




INTRODUCTION TO POLITICAL ADMINISTRATIVE GOVERNANCE

In order to promote accountability to the local community for the decisions made throughout the year by the municipality as per Section 121 (2)(c) of the Municipal Finance Management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional. Both the political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2016/17. Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance.

GOVERNANCE STRUCTURES

POLITICAL GOVERNANCE

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

		
Cllr E. Ngongo (ANC) Mayor	Cllr L. Lembethe (ANC) Deputy Mayor	Cllr T. Gwala (ANC) Speaker

		
Late Cllr K. Mkhize (ANC)	Cllr M. (ANC)	Cllr N. Zondo (ANC)
		
Cllr S Ngidi (ANC)	Cllr Z. Mbambo (EFF)	Cllr N. Lembether (ANC)
		
Cllr M. Ntuli (IFP)	Cllr K. Mkhize (IFP)	Cllr N. Ntombela (ANC)
		
Cllr. R. Mofikeng (IFP)		Cllr M. Wensley (DA)

Executive Committee

The Executive Committee (EXCO) consist of four members, representative of three political parties. The EXCO is the principal structure that governs the municipal operations and as such, convenes on a monthly basis. The EXCO makes recommendations to Council emanating from discussions made to Council Committees level.

1 September 2016 – 30 June 2017

MEMBER	NUMBER OF MEETINGS ATTENDED 2016/2017
Cllr E. Ngcongo	9
Cllr L Lembehe	8
Cllr R. Mofokeng	9
Cllr T. Gwala Ex Officio	7

Council 1 September 2016- 30 June 2017

In terms of Section 152 of the Constitution, the Council has convened to ensure the adoption of the IDP/Budget and Performance Management System Process. The IDP, Budget, Organisational Scorecard, SDBIP, Performance Management related reports and other service delivery related deliberations.

MEMBER	NUMBER OF MEETINGS ATTENDED 2016/2017
Cllr Ngcongo E. (Mayor)	12
Cllr Lembethe L.Z. (Deputy Mayor)	12
Cllr Gwala T. (Speaker)	12
Cllr Mofokeng R.	11
Cllr Zondo R.	9
Cllr Ngidi S.	11
Cllr Mkhise K.E.	11
Cllr Lembethe R.N.	12
Cllr Shandu M.	9
Cllr Wensley M.	22
Cllr Mbambo Z.	20
Cllr Mkhize R.	12
Cllr Ntuli M.	11
Cllr Ntombela N.	10
Cllr iNkozi S.E. Mdluli	5
Cllr iNkosi L.D. Mkhize	2

Portfolio Committees

The establishment of portfolio committees is in line with Section 79 of the Municipal Structures Act No 117 of 1998.

Municipal Public Accounts Committee

The Municipal Public Accounts Committee (MPAC) is a structure that is responsible for exercising oversight on both the executive and administration. During the year under review, the MPAC was not fully operational due to the non-coordinated efforts to ensure its functionality.

MEMBER	Number of Meetings Attended 2016/2017
Lembethe R.N. (Chairperson)	5
Zondo N.	4
Mkhize R.B.	3
Wensley M.	5
Mbambo Z.	5
Shandu M.	3
Ngidi S.	2

Mkhambathini is a category B Municipality in terms of the Structures Act, comprising of 7 wards. In terms of seats allocation summary per municipality received from the Municipal Electoral Officer in May 2011, the names of the elected parties and the number of the respective Councillors elected were as follows:

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

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

- Budget & Treasury Portfolio Committee : Chief Financial Officer
- Corporate Services Portfolio Committee : Manager: Corporate Services
- Technical Portfolio Committee : Manager: Technical Services
- Community Services Portfolio : Manager: Community Services



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

- Local Labour Forum;
- Integrated Development Plan Representative Forum;
- Oversight Committee
- Audit Committee
- Budget Steering Committee

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

POLITICAL PARTY	ALLOCATION OF SITS	GENDER DISTRIBUTION	
		MALE	FEMALE
African National Congress (ANC)	9	8	1
Democratic Alliance (DA)	1	1	0
Inkatha Freedom Party (IFP)	3	1	2
Economic Freedom Fighters (EFF)	1	0	1
TOTAL	14	10	4

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 2013/2014 financial year, the Municipal Manager was assisted by the Management Team,</p>
	<p>Mr. M. Chandulal Chief Financial Officer</p>	<p>The Chief Financial Officer is responsible for managing the financial affairs of the Municipality. The Department is responsible for Expenditure</p>

		Management, Assets, Budgeting, Revenue Management and Supply Chain Management.
	Ms. G. Bhengu Manager: Community Services (Resigned in April 2017)	The Community Services Manager is responsible for the management of a number of sub unit with the Department namely, HIV/AIDS unit, Disaster management Unit , Local Economic Development and Tourism Unit and Sports and Youth unit.
	Mr Z Tshabalala Acting Technical Services Manager – Seconded from Impendle Local Municipality	The Technical Services Section is entrusted with ensuring that basic services are delivery to the community. This Department consist of unity namely, Planning and Development Unit, Infrastructure Maintenance Unit, Housing Unit and Project Management Unit.
VACANT	Manager: Corporate and Administrative Services	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.
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COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO INTERGOVERNMENTAL RELATIONS

The inter-governmental Relations Framework Act (Act No 13 of 2005), requires that all sphere of government coordinate, communicate, align and integrate service delivery effectively, and to ensure access to services. In this regard Mkhambathini Municipality complies with this provision. Mkhambathini Municipality further participate in the Provincial and District Forums.

These forums provide a platform for engagement on the approval of projects and for coordination and monitoring of expenditure of funded projects.

2.3 INTERGOVERNMENTAL RELATIONS

PROVINCIAL INTERGOVERNMENTAL RELATIONS

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

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

DISTRICT INTERGOVERNMENTAL RELATIONS

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

Table 5- Intergovernmental Relations Structure

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



COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

During 2016/2017 financial year, the municipality had 7 functional ward committees which serve as a conduit between the municipality and the community. Over and above the existence and functioning of ward committees the Municipality publish its Service Delivery and Budget Implementation Plan on a quarterly basis on the municipal website. This seeks to ensure that the public is continuously informed on the achievement of set goals and targets.

The Municipality for the first time circulated a client satisfaction to all municipal wards and to its rates payers. This initiative gave the rate payers a platform to raise their needs as well as their suggestions to the municipality. Mayoral imbizos were the vehicle in communicating progress on what has been promised by the Council during its budget road shows.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The IDP, PMS and Budget process plan is approved by Council before end of August each year. Once approved a public notice is posted on the website and various newspapers. The process plan reflects the different activities and milestones in terms of the IDP, review, PMS and Budget implementation and monitoring.

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

WARD COMMITTEE MEETINGS

able 6- Ward Committee Information

WARD	WARD COUNCILLOR	COMMITTEE ESTABLISHED (YES/NO)	NO OF MEETINGS HELD FOR THE 2016/2017
1	Cllr Zondo N.R.	YES	7
2	Cllr Ngidi S.	YES	7
3	Cllr Mkhize K.E.	YES	7
4	Cllr Gwala T.A	YES	7
5	Cllr Lembethe R.N.	YES	7
6	Cllr Ngcongco E.	YES	7
7	Cllr Shandu E.	YES	7

2.5 IDP PARTICIPATION AND ALIGNMENT

Table 7- IDP Participation and Alignment

IDP Participation and Alignment Criteria	Yes/No
Does the Municipality have impact, outcome, input, output indicator	YES
Does the IDP have priorities, objectives, KPIs, development strategies?	YES
Does the IDP have multi-year targets?	YES
Are the above aligned and can they calculate into a score?	YES
Does the budget align directly to the KPI's in the strategic plan?	YES
Do the IDP KPIs align to the Section 57 Managers?	YES
Does the IDP KPI lead to functional area KPI's as per the SDBIP?	YES
Does the IDP KPI's align with the provincial KPI's on the 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	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

In general, corporate governance is perceived as a normative principle of administrative law, which obliges any institution to perform its functions in a manner that promotes the values of efficiency, non-corruptibility, and responsiveness to civil society. The principle of good governance has also been espoused in the context of the internal operations of both the public and private sector organizations'. In this way, corporate decision-making strategies integrate the principle of good governance and ensure that public interests and employees are taken into account.

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

2.6 RISK MANAGEMENT

Section 62 (i) of the MFMA required that the municipality have and maintain an effective, efficient and transparent system of risk management. The Municipality undertook to implement and comply with this section and this resulted in the development of the Risk Action Plan through a workshop which was held near the end of the financial year 2015/16 with the assistance of Internal Audit Activity. A risk register was compiled and approved by the Audit and Performance Management Committee.

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

The top five (5) risks identified within Mkhambathini Municipality are:

- Inability to attract Investments;
- Inability to attract and retain skills personnel;
- 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.

2.8 SUPPLY CHAIN MANAGEMENT

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

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

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

2.9 WEBSITE

Table 8- Municipal Website: Content and Currency of material

Document Published on the Municipality's/Entity Website	Yes/No	Publishing Date
Current Annual and Adjustment Budget and all budget-related documents	Yes	2017
All current budget related policies	Yes	2017
The previous Annual Report (Year – 1)	Yes	2017
Annual Report (Year 0) published/to be published	Yes	2017
All current performance agreements required in terms of Section 57 (1) (b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	2017
All service delivery agreements (Year 0)	N/A	
All long-term borrowing contracts (Year 0)	N/A	
All supply Chain Management Contracts above a prescribed value (R30 000.00) for Year 0	Yes	2017
An information statement containing a list of assets over a prescribed value that have been disposed on in terms of Section 14 (2) or (4) during Year 1	Yes	2017
Contracts agreed in Year 0 to which subsection 91) of section 33 apply, subject to subsection (3) of that section		
Public-Private agreement referred to in Section 120 made in Year 0		
All quarterly reports tabled in the council in terms of Section 52 (d) during Year 0	Yes	2017

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.

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



3.2 ELECTRICITY

INTRODUCTON TO ELECTRICITY

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

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

3.5 HOUSING

INTRODUCTION TO HOUSING

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

Percentage of Households with access to basic housing			
Year end	Total Households (including informal and formal settlements)	Households in formal settlements	Percentage of HHs in formal Settlement.
Year -3			
Year -2			
Year -1			
Year -0			

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

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

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the Municipal Indigent Policy.

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

COMPONENT B: ROAD TRANSPORT

3.7 ROADS

INTRODUCTION TO ROADS

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 finalised 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.

Gravel Road Infrastructure				Kilometers
	Total Gravel Roads	New Gravel Road Constructed	Gravel Road Upgraded to tar	Gravel Road re-graveled/Maintained.
Year -1				
Year-0	6	6.4	3.6	

Tar Road Infrastructure					
	Kilometers				
	Total Tar Roads	New Tar Roads	Existing Tar Road Re-tarred	Existing tar road re-sheeted	Tar Road Maintained.
Year -1					
Year-0	03.	0	1.2	0	0

Cost of Construction/Maintenance						
	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
Year -1 2015/2016		0		0	0	0
Year -0 2016/2017		0		0	0	0

Employees: Road Services					
	Year -1	Year 0			
Job Level	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts)%
0-3	0	0	0	0	0
4-6	1	1	1	1	0
7-9	2	2	2	2	0
10-12	14	14	14	14	0
13-15	0	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
Total	17	17	17	17	0

Financial Performance Year 0 : Road Services					
R'000					
	Year -1	Year 0			
Details	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:	0	0	0	0	0
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	R183 401.03	R183401.03	0
Other	0	0	0	0	0
Total Operational Expenditure	0	0	0	0	0
Net Operational Expenditure	0	0	R183 401.03	R183 401.03	0

Capital Expenditure Year 0: Road Services					
R'000					
	Year -1	Year 0			
Capital Projects	Budget	Adjusted Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All			R12066153.65	R1440000.00	R12066153.65

COMMENT ON THE PERFORMANCE OF TRANSPORT OVERAL

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

3.9 WASTE WATER (STORM WATER DRAINAGE)

INTRODUCTION TO STORM WATER DRAINAGE

The road infrastructure does not have a formal storm water drainage except near paved roads.

COMPONENT C: PLANNING AND DEVELOPMENT

INTRODUCTION TO PLANNING AND DEVELOPMENT

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



3.10 PLANNING AND DEVELOPMENT

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

- The Municipality owns at least 10 plots of land, with the Ngonyama Trust Land owning at least 70% and 20% is privately owned.
- A large portion of the population lives in poverty and is dependent on social grants.
- The municipality is in a process to revise its Local Economic Development Strategy with an aim to unlock and attract investment to the area.

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

Application for Land Use Development						
Detail	Formalization of Township		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning Application Received	-	4	0	1	0	1
Determination made in year of receipt	-	4	0	1	0	1
Determination made in the following Year	-	0	0	0	0	0
Applications withdrawn	-	0	0	0	0	0
Application outstanding at year end.	-	0	0	0	0	0

Employees: Planning 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	0	0	0	0%
4-6	0	0	0	0	0%
7-9	0	0	0	0	0%
10-12	0	0	0	0	0%
13-15	1	1	1	0	0%
16-18	0	0	0	0	0%
19-20	0	0	0	0	0%
Total	0	0	0	0	0%

COMMENTS ON THE PERFORMANCE OF PLANNING SERVICES

For the year 2016/2017 the Municipality has reviewed its Spatial Development Framework in collaboration with uMgungundlovu District Municipality and the Department of Cooperative Governance and Traditional Affairs. The Spatial Development outlines a number of project seeking to transform the Spatial arrangement and the need to implement within the five-year cycle of the IDP.

3.11 LOCAL ECONOMIC DEVELOPMENT

The Municipality is in a process of reviewing its Local Development Strategy. This will assist to ensure that the strategy covers the Municipal Developmental needs of Mkhambathini. The Municipal goal that seeks to achieve in the review strategy is agricultural component which is in line with the Municipal demographics and also the emphasis will be placed on developing SMME's and Cooperatives.

The three catalyst areas that will be covered as follows:

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

COMMENT ON LOCAL ECONOMIC DEVELOPMENT

Job Created through EPWP Projects		
Details	EPWP Projects No.	Job Created through EPWP projects No.
Year – 2	2	2
Year -1	4	100
Year -0	4	115

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%

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

This Community and Social Services includes: Libraries, Registry Services, Community Halls, Cemeteries and Crematoria and child care facilities

3.12 LIBRARIES, REGISTRY SERVICES, COMMUNITY HALLS, CEMETERIES AND CREMATORIA, CHILD CARE FACILITIES.

The following are the facilities that the municipality owns and manage on behalf of the community.

COMMUNITY HALL

The Municipal area has a total of 16 community halls. All these halls are serviced by the Municipality. The major challenge with these facilities is that they are vandalised and cost municipality a fortune to repair. A strategy is being devised as to how is the municipality going to ensure that these facilities are safeguarded.

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

Ward	No of Facilities	Area/ Isigodi
1	2	ESitingini
2	3	Ophokweni Bebhuzi Manzamnyama
3	2	Ezimangweni INKanyezini
4	3	Talla Valley Njobokazi
5	1	Mbungwini
6	2	Ismonth Makholweni-Inhlazuka
7	3	Matigulu Nsongeni Mngwenya

LIBRARY

A main library is located in town while satellite libraries are found in Ward 1 (Nokuphiwa Library) and Ward 7 (Mobile Library). 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

3.12.1 YOUTH, GENDER, CHILDREN, PEOPLE LIVING WITH DISABILITY

During 2016/2017, the following activities were implemented for the special programmes:

YOUTH

- 17 youth assisted with learner registration fees at the Institutions of Higher Learning;
- 07 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;
- 14 (2 per ward) Youth participated in the EPWP Social Sector Sport Star programme;
- Youth of Mkhambathini formed the majority of participants in the other EPWP projects as well as in the Community Work Programme implemented in Mkhambathini;
- Mkhambathini hosted a Matric Prayer and a career exhibition in October 2017;
- A workshop in Leadership was provided for the Youth Council of Mkhambathini.

DISABILITY

Mkhambathini municipality established and launched the Disability Forum in 2017. The purpose of the forum is to monitor and ensure mainstreaming of disability in municipal programmes in line with the Disability Framework for local government.

People living with disabilities are mainstreamed into the workforce of the ward committees. They are also represented in most coordinating structures within the municipality. More still needs to be done in terms of training and development of people living with disabilities and also to ensure their mainstreaming in to the workforce of Mkhambathini municipality.

The Employment Equity Plan of the municipality needs to take into account their mainstreaming into the workforce so that the municipality is also in compliance with the Employment Equity Act.

3.12.2 HIV AND AIDS

3.12.3 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 internalise the fact that government alone cannot bring about development, hence the theme: Masisukume Sakhe – Let Us Stand Up and Build.

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

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

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

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

Mkhambathini municipality also hosted the OSS Cabinet Day on 30 March 2016. +- 10 households per ward were profiled for OSS Cabinet Day.

COMPONENT E: ENVIRONMENTAL PROTECTION

5.1 POLLUTION CONTROL

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

with communities in awareness campaigns in partnership with NGO's and CGO's within the Municipality.

5.2 BIO-DIVERSITY: LANDSCAPE AND OTHER

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

COMPONENT F: SAFETY AND SECURITY

6.1 DISASTER MANAGEMENT

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

Mkhambathini Municipality's Disaster Management Advisory Forum which has been in existence since 02 September 2014 continues to seat on a quarterly basis to play its role of assisting people to better understand their roles in reducing the impact of disasters; assisting in the planning, development and coordination of actions to address all aspects of disasters risk reduction. Section 15 and 20 of the Disaster Management Act encourages the promotion of education and training as well as the promotion of research into all aspect of Disaster Risk Management, during the period under review, Mkhambathini in partnership with uMgungundlovu District Municipality hosted a Disaster Management Public Awareness campaign. The aim of the event was to educate the communities about risk avoidance behaviour at homes and surrounding areas. The municipality also held a fire awareness campaign for the communities of Mkhambathini.

The Municipality is in a process to address issues that were raised through the IDP assessment by the MEC for Cooperative Governance to ensure that it aligns with the criteria set.

COMMENTS ON THE PERFORMANCE OF DISASTER MANAGEMENT SERVICES

The Municipality is in a process to fill the post of a Disaster Management Practitioner at the moment the services are performed by an acting employee, assisted by uMgungundlovu District Municipality.

Through coordination of disaster management incidents of all role players e.g SASSA and Social Development, uMgungundlovu District and NGO's for the supply of disaster management relief, the challenges were addressed.

COMPONENT G: SPORTS AND RECREATION

This component includes: community parks and sports fields.

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 2017.

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.

7.1 CORPORATE POLICY OFFICES AND OTHER SERVICES

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

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

7.2 FINANCIAL SERVICES

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

Functions of the Financial Services Department

Budget Management	Budget and Tariffs
Supply Chain Management	Implementation of Supply Chain Logistic Management Disposal Management Acquisition Management Procurement Management

	Suppliers Database Demand Management Creditors Database
Expenditure Management	Salaries Payments of creditors Insurance VAT Compliance Government Grants Administration. Assets Management Investment Management Creditors Reconciliation
Revenue Management	Billing Valuation Roll Rates Credit Control Debt Collection Cash Receipts and Banking Customer Care
Financial Control and Cash Management	Cash Management Reconciliations Annual Financial Statements
Management Accounts and Financial Systems	Managements Accounts

COMMENTS ON FINANCIAL SERVICES

Revenue collection remains a challenge with the debtors amounting to R11 357 358 at the end of June 2017. 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.

7.3 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 Municipal Standard Chart Of Accounts.

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

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

COMMENTS ON INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

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

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

COMPONENT I: HUMAN RESOUCCE MANAGEMENT

INTRODUCTION TO HUMAN RESOURCE SERVICES

The municipality has in the past financial year prioritised the following areas in far as Human resource is concerned: Recruitment and selection, staff training, review of job description, development of Work Place Skills Plan, review of policies, computer equipment and IT systems. It is with great excitement that the municipality has been able to achieve all these targets. Training was also offered to 21 youth of Mkhambathini on bricklaying and plumbing.

CHAPTER FOUR: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year -0			
	Employees No.	Approved Posts No.	Employee No.	Vacancies No.	Vacancies %
Housing	1	1	1	0	0
Planning	1	1	1	0	0
Local Economic Development	1	1	1	0	0
Disaster	1	1	0	1	0
Community and Social Services	7	10	8	2	
Environmental Protection	0	0	0	0	0
Finance	13	18	13	5	
Corporate Policy Offices and Others.	25	43	34	9	
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	1	0%
Chief Financial Officer	1	1	0%
Other S57 Manager (excluding Financial Posts)	3	0	0%
Total	5	2	0%

Vacancy (graphical representation)

Turn-Over Rate			
Details	Total Appointments as of the beginning of the Financial Year No.	Termination During the Financial Year No.	Turn-Over Rate
	3	0	3

COMMENT ON VACANCIES AND TURNOVER:

The Municipality appointed 5 internships and 1 official appointed in the office of the Mayor. Two

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. The policies have been developed and some reviewed and adopted by the Council. Refer to the table below.

POLICIES

Policy Name	Date of Adoption	Policy Name	Date of Adoption
Payroll Policy	24/06/17	Standing Rules and Orders for meeting of the council and its committees	21/06/2017
Creditors Control and Debts Collection	24/06/17	Enterprise Risk Management Framework	21/06/2017
Appointment of Consultant	24/06/17	Audit Committee Charter	21/06/2017
Contract Management	24/06/17	Dress Code Policy	21/06/2017
Funding and Reserves	24/06/17	Incapacity due to poor work performance	21/06/2017
Budget Policy	24/06/17	Placement Policy	21/06/2017
Subsistence and Travel Policy		Procedure to be followed in instances	21/06/2017

		where employees are unable to attend work as a result of imprisonment	
Petty Cash	21/06/2017	Resignation	21/06/2017
Rates	21/06/2017	Human Resources Management and Development Strategy and Implementation plan	21/06/2017
Virement	21/06/2017	Training and Development	21/06/2017
Supply Chain Management	21/06/2017	Employment Equity	21/06/2017
Leave Management	21/06/2017	Task Job Evaluation	21/06/2017
Occupation Health and Safety	21/06/2017	Sexual Harassment	21/06/2017
Employment Benefits and Conditions	21/06/2017	Subsistence Abuse	21/06/2017
Incapacity to ill health	21/06/2017	Internal Bursary	21/06/2017

INJURIES, SICKNESS AND SUSPENSION

There were no employees who were injured on duty and taken sick leave related to injury on duty, and also there were no suspension for the period under review.

Salary Band	Total Sick Leave Days	Proportion of Sick Leave without medical certification %	Employee using sick leave	Total Employee In posts	Average Sick leave per employees days	cost
Lower skilled (level 11-12)	50	6	Yes	33		
Skilled (level 6-9)	178	10	Yes	33		
High Skilled Production (level 3-4)	123	9	Yes	21	14	
High Skilled Supervision (level 2)	0	0	0	0	0	0
MM and Section 56	0	0	Yes	4	0	0
Total						

COMMENT ON INJURY AND SICK LEAVE:

During the financial year under review, there were no injuries on duty. The sick leave at end of June 2017 is estimated at **xxxx**%.

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

4.4 PERFORMANCE REWARD

There were no reward or performance bonuses paid during the year under review.

CHAPTER FIVE: REPORT OF THE AUDITOR GENERAL AND AUDITED FINANCIAL STATEMENT FOR 2016/2017

Opinion

1. I have audited the financial statements of the Mkhambathini Municipality set out on pages..... to , which comprise the statement of financial position as at 30 June 2017 , the statement of financial performance , statement of changes in net assets , and cash flow statement and statement of comparison of budget with actual information for the year ended , as well as the notes to the financial statements , comprising a summary of significant accounting policies.
2. In my opinion , the financial statements presented fairly , in all material respects , the financial position of the Mkhambathini Municipality as at 30 June 2017 , and its financial performance and cash flows for the year then ended in accordance with South Africa Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa , 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa , 2016 (Act No 3 of 2016) DoRA

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing(ISAs) My responsibilities under those standards are further described in the auditor - general's responsibilities for the audit of the financial statements section of this report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Material impairments

7. As disclosed in note 22 to the financial statements, material impairments to the amount of R2 , 17 million were incurred as a result of irrecoverable debtors

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA, DoRA and for such internal control as the accounting officer determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the Mkhambathini Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the municipality or cease operations, or there is no realistic alternative but to do so.

Auditor – General's responsibilities for the audit of the financial statements

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

in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notices, for basic services delivery and infrastructure development presented in the annual performance report of the municipality for the year ended 30 June 2017.
17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the usefulness and reliability of the selected development

priorities are as follows:

KPA 2 – Basic services delivery and infrastructure development

Number of capital project maintained: Indicators not consistent

19. The indicator was reported as number of capital project maintenance budget reports signed off while the indicator was approved as number of capital projects maintained in the integrated development plan. This is not in line with the requirements of section 41© of the Municipal Systems Act, 2000 (Act No. of 2000) (MSA)

No of houses to be electrified: Target not consistent and indicator not reliable

30. The target planned was reported 380 houses electrified on the annual performance report while the target was approved as 50 houses in the service delivery and budget implementation plan. This is not in line with section 41 (c) of the MSA. In addition, the target was changed to 380 without the necessary approval, as required section 25(2) of the MSA.

Furthermore, I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of 341 houses due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments necessary to the reported achievement of 341 houses electrified.

Various Indicators

31. The evidence for the achievement of the flowing planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPP). This was due to lack of technical indicator descriptions and / or formal standard operating procedures or documented system descriptions. I was unable to test whether the indicator was well – defined by alternative means.

-Date of completion of Mthayi access road. -Date of completion of Mantungweni access roads.

Reported achievement did not agree with the evidence provided

No of meetings held with stakeholders for the provision of electricity

32. The reported achievement for the number of meetings held with stakeholders for the provision of electricity was misstated as the evidence provided indicated one meeting and not 12 meetings as reported.

Date of completion of Bebhuzi Sports Field

33. The reported achievement for the date of completion of Bebhuzi Sports Field was misstated as the evidence provided indicated 12 May 2017 and not 30 April 2017 as reported.

Reported achievement not supported by sufficient appropriate audit evidence

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of targets. This due to evidence not provided to support the reported achievement. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement. Details of these indicators are as follows:

-Date indigent register is completed. -Number of kilometres tarred road maintained -Date maintenance to complete.

Other matters

35. I draw attention to the matters below.

Achievement of planned targets.

36. The annual performance report on pages x to x, x to x includes information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 34 of this report.

Adjustment of material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported

performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

38. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather to express assurance.
39. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

40. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors on property, plant and equipment, expenditure and capital commitments in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2) (e) of the MFMA.
42. Effective steps were not taken to prevent irregular expenditure stated at 5,17 million disclosed in note 36 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by three quotations not being obtained.
43. Effective steps were not taken to prevent fruitless and wasteful expenditure stated at 4,12 million, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid to South African Revenue Services arising from the voluntary disclosure relief programme.

Consequence Management

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

Other information

45. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the Mayors foreword, accounting officer's report and audit committee's report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in the auditor's report.
46. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
47. In connection with my audit, my responsibility is to read the other information and , in doing so , consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report , or my knowledge obtained in the audit , or otherwise appears to be materially misstated.
48. I did not receive the other information prior to the date of the auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement

Internal control deficiencies

49. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.
50. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on compliance with legislation included in this report.

Leadership

51. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting due to misstatement or errors noted on these reports and furthermore compliance with applicable legislation was not addressed timely.

Financial and performance management

52. Management did not adequately review the supporting schedules for the financial statements and performance reports as evident by correction made during the audit. Furthermore, compliance could have been prevented had compliance been monitored.

Auditor General

Pietermaritzburg

30 November 2017

Annexure - auditor - general's responsibility for the audit

1. As part of an audit in accordance with the ISAS, I exercise professional judgement and maintain professional skepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development objectives and on the municipality's compliance with respect to the selected subject matters.
2. In addition to my responsibility for the audit of the financial statements as described in auditor's report, I also; identify and assess the risks of material misstatements of the financial statements whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by the accounting officer.

Conclude on the appropriateness of the accounting officers use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mkhambathini Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the matter uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.



Mkhambathini Municipality Annual Financial Statements
for the year ended 30 June 2017

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of services to the community
Mayoral committee	
Cllr. E . Ngcongo	Mayor
Cllr. L.Z. Lembethe	Deputy Mayor
Cllr. T.A. Gwala	Speaker
Councillors	
Cllr. K.R. Mofokeng	
Cllr. R.N. Lembethe	
Cllr. M.R. Ntuli	
Cllr. N. Zondo	
Cllr. R.B. Mkhize	
Cllr. K.E. Mkhize	
Cllr. M.R. Shandu	
Cllr. S. Ngidi	
Cllr. N.W. Ntombela	
Cllr. N.J Wensley Cllr. Z.F. Mbambo	
Former Councillors (Term ended August 2016)	
Cllr. T. E. Maphumulo	Mayor
Cllr. C.T. Mkhize	Deputy Mayor
Cllr. E. Ngcongo	Speaker
Cllr. T.Z Maphumulo	
Cllr. H.S. Mthethwa	
Cllr. M.M. Lembethe	
Cllr. M.M.M. Magubane	
Mr. M. Chandulal 031 785 9320	
Municipal Website	www.mkhambathini.gov.za
Business address	18 Old Main Road
Camperdown 3720	
Postal address	Private Bag X04
Camperdown 3720	
Contact number	031 785 9300
Auditors	Auditor-General
Bank	Standard Bank
052 1499 78	

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

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Annual Financial Statements for the year ended 30 June 2017

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

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The Annual Financial Statements set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the on 30 June 2017 .

Accounting Officer
Mrs T.C Ndlela

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer' s Report

The accounting officer submits her report for the year ended 30 June 2017.

1.Subsequent events

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

2. The Accounting Officer's details during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mrs. T.C. Ndlela	South African	15 October 2015

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated *
Assets			
Current Assets			
Operating lease asset	6	88,400	72,875
Receivables from exchange transactions	7	1,205,242	190,116
VAT receivable	8	-	88,671
Consumer debtors	9	11,357,358	8,059,093
Cash and cash equivalents	10	52,815,823	37,260,379
		65,466,823	45,671,134
Non-Current Assets			
Investment property	3	5,251,600	5,251,600
Property, plant and equipment	4	113,477,946	106,760,009
Intangible assets	5	803,902	698,252
		119,533,448	112,709,861
Total Assets		185,000,271	158,380,995
Liabilities			
Current Liabilities			
Operating lease liability	6	-	4,153
Payables from exchange transactions	13	6,944,820	6,209,480
VAT Payable	38	633,397	4,268,061
Unspent conditional grants and receipts	11	5,435,395	3,170,598
Provisions	12	2,130,223	1,928,331
		15,143,835	15,580,623
Non-Current Liabilities			
Provisions	12	3,118,348	2,816,008
Total Liabilities		18,262,183	18,396,631
Net Assets		166,738,088	139,984,364
Accumulated surplus		166,738,088	139,984,364

* See Note 31

Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated *
Revenue			
Revenue from exchange transactions			
Service charges		466,332	-
Commissions received		15,565	12,714
Other income	15	609,855	591,207
Interest received - investment	16	5,690,548	3,948,435
Total revenue from exchange transactions		6,782,300	4,552,356
Revenue from non-exchange transactions			
Property rates	17	11,961,448	11,281,258
Transfer revenue			
Government grants & subsidies	18	66,502,689	72,777,380
Fines, Penalties and Forfeits		37,520	92,650
Licenses and Permits		4,694,374	3,860,691
Total revenue from non-exchange transactions		83,196,031	88,011,979
Total revenue	14	89,978,331	92,564,335
Expenditure			
Employee Related Cost	19	(23,995,272)	(21,594,770)
Remuneration of councillors	20	(4,797,931)	(4,619,711)
Contributions to Long Service Awards	21	(423,492)	(621,493)
Depreciation and amortisation		(6,755,751)	(5,600,187)
Impairment loss/ Reversal of impairments		(512,262)	(719,376)
Debt Impairment	22	(2,168,761)	(1,374,015)
Repairs and maintenance	39	(2,985,953)	(860,218)
Grants and subsidies Expenditure		(3,353,574)	(3,531,255)
General Expenses	23	(18,231,611)	(19,475,412)
Total expenditure		(63,224,607)	(58,396,437)
Surplus for the year		26,753,724	34,167,898

* See Note 31

Mkhambathini Municipality
 (Registration number KZN 226)
 Annual Financial Statements for the year ended 30 June
 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	109,764,605	109,764,605
Prior year adjustments (Note 31)	3,948,139	3,948,139
Net income (losses) recognised directly in net assets	(3,948,139)	(3,948,139)
Surplus for the year	34,167,898	34,167,898
Total changes	30,219,759	30,219,759
Restated* Balance at 01 July 2016	139,984,364	139,984,364
Changes in net assets		
Net income (losses) recognised directly in net assets	-	-
Surplus for the year	26,753,724	26,753,724
Total recognised income and expenses for the year	26,753,724	26,753,724
Total changes	26,753,724	26,753,724
Balance at 30 June 2017	166,738,088	166,738,088

* See Note 31

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Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated *
Cash flows from operating activities			
Receipts			
Taxation		88,671	1,954,580
Sale of goods and services		17,173,028	17,164,443
Grants		68,767,485	72,159,339
Interest Received		3,004,349	1,875,411
		89,033,533	93,153,773
Payments			
Employee costs		(23,995,272)	(21,594,770)
Remuneration of Councillors		(4,797,931)	(4,619,711)
Cash Paid to Suppliers		(29,079,537)	(24,869,697)
		(57,872,740)	(51,084,178)
Net cash flows from operating activities	27	31,160,793	42,069,595
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(15,330,877)	(18,771,865)
Proceeds from sale of property, plant and equipment	4	-	36,991
Purchase of other intangible assets	5	(274,472)	(687,932)
Net cash flows from investing activities		(15,605,349)	(19,422,806)
Net increase/(decrease) in cash and cash equivalents		15,555,444	22,646,789
Cash and cash equivalents at the beginning of the year		37,260,379	14,613,590
Cash and cash equivalents at the end of the year	10	52,815,823	37,260,379

* See Note 31

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments amounts on comparable basis	Final Budget	Actual	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	500,000	-	500,000	466,332	(33,668)	
Other income	803,393	-	803,393	625,420	(177,973)	(c)
Interest Received - Investment	1,650,000	817,255	2,467,255	3,004,349	537,094	(d)
Interest received - Debtors	1,176,039	-	1,176,039	2,686,199	1,510,160	(d)
Total revenue from exchange transactions	4,129,432	817,255	4,946,687	6,782,300	1,835,613	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,662,927	-	12,662,927	11,961,448	(701,479)	(e)
Transfer revenue						
Government grants & subsidies	80,151,000	1,585,679	81,736,679	66,502,689	(15,233,990)	(f)
Fines, Penalties and Forfeits	70,051	-	70,051	37,520	(32,531)	
Licenses and permits	3,922,956	468,227	4,391,183	4,694,374	303,191	(a)
Total revenue from non-exchange transactions	96,806,934	2,053,906	98,860,840	83,196,031	(15,664,809)	
Total revenue	100,936,366	2,871,161	103,807,527	89,978,331	(13,829,196)	
Expenditure						
Employee related cost	(27,055,615)	-	(27,055,615)	(23,995,272)	3,060,343	(g)
Remuneration of councillors	(5,088,000)	-	(5,088,000)	(4,797,931)	290,069	(h)
Contribution to Long Service Awards	(318,000)	-	(318,000)	(423,492)	(105,492)	(i)
Depreciation and amortisation	(4,800,000)	(1,200,000)	(6,000,000)	(7,268,013)	(1,268,013)	(j)
Debt Impairment	(700,000)	-	(700,000)	(2,168,761)	(1,468,761)	(k)
Repairs and Maintenance	(6,350,000)	-	(6,350,000)	(2,985,953)	3,364,047	(L)
Bank Charges	(184,286)	-	(184,286)	-	184,286	
Transfers recognised operational	(14,342,000)	-	(14,342,000)	(3,353,574)	10,988,426	(M)
General Expenses	(22,667,652)	(1,585,679)	(24,253,331)	(18,068,407)	6,184,924	(N)
Total expenditure	(81,505,553)	(2,785,679)	(84,291,232)	(63,061,403)	21,229,829	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

	Approved budget	Adjustments on comparable basis	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus before capital expenditure	-	-	-	-	-	
Transfer recognised - Capital	15,626,000	(1,700,000)	13,926,000	12,485,803	(1,440,197)	o
Surplus or (Deficit) for the year after capital expenditure	15,626,000	(1,700,000)	13,926,000	12,485,803	(1,440,197)	
Surplus or (Deficit) for the year after capital expenditure	35,056,813	(1,614,518)	33,442,295	39,402,731	5,960,436	
Surplus or (Deficit) for the year after capital expenditure	35,056,813	(1,614,518)	33,442,295	39,402,731	5,960,436	

Explanations

- (a) License and permits – Variable depending on the number of license applications
- (b) Commissions received – Variable depending on the number of staff whose payment are made across to third parties
- (c) Other income – Mainly due leases and building plan fees
- (d) Interest received – Interest received on investments increased due to funds being invested for longer period due to more cash on hand. Interest on debtors is variable
- (e) Property rates – The amounts actually billed were lower than budgeted. This was due to the implementation of the supplementary roll.
- (f) Government grants and subsidies – This refers to rollover for MIG, Electrification and Library grants
- (g) Employee related costs – Vacancies exists with the staff complement which includes section 57 employees
- (h) Remuneration of Councillors – This was slightly over budgeted for.
- (i) Contribution to medical aid and long service awards – This was under budgeted for as this is variable depending on the valuation done by the Actuary.
- (j) Depreciation - Increase due additions to property plant and equipment and impairment of assets during this period
- (k) impairment – Increase is due to the arrears in older debt and non – payment
- (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 MIG, Electrification and library grant.

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Statement of Comparison of Budget and Actual Amounts

- (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.

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Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates were used on the following elements: Property, plant and equipment, Post-employment benefits, defined contribution plans, employee benefits, provisions and contingencies and intangible assets

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially 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 de-recognised 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.

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

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

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Accounting Policies

12 Investment property (continued)

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

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Accounting Policies

13 Property, plant and equipment

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

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

13 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

14 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and

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Accounting Policies

- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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Accounting Policies

14 Intangible assets (continued)

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

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

follows: **Item**

Computer software, other

Useful life

3-5 years

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

15 Financial instruments

Initial recognition and measurements

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

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial 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.

Cash and cash equivalent

Cash includes cash on hand and cash with banks. Cash equivalents are short - term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in Value.

16 Tax

Income tax expense

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

VALUE ADDED TAX (VAT) :

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

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Accounting Policies

1.7 Leases

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

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

Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis. **Operating leases - lessor**

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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:

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Accounting Policies

18 Impairment of cash-generating assets

(continued) Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality 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.

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Accounting Policies

18 Impairment of cash-generating assets

(continued) Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

19 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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Accounting Policies

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

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

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

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

Useful life is either:

- (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 tests 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.

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1.9 Impairment of non-cash-generating assets

(continued) Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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

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

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

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

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

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1.10 Employee benefits (continued)

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

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

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1.18 Irregular expenditure

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

1.19 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.20 Presentation of budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

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

1.21 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.

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2. New standards and interpretations

21 Standards and interpretations effective and adopted in the current year

The municipality has applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: as amended in 2016	Expected impact:
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2016	Immediate
• GRAP 1: Presentation of financial statements	01 April 2016	Immediate
• GRAP 2: Cash Flow Statements	01 April 2016	Immediate
• GRAP 20: Related parties	01 April 2016	Immediate
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2016	Immediate
• GRAP 3: Accounting Policies, Change in Estimate and Errors	01 April 2016	Immediate
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2016	Immediate
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2016	Immediate
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2016	Immediate
• GRAP 16 (as amended 2016): Investment Property	01 April 2016	Immediate
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2016	Immediate

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3. Investment property

2017				2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value Valuation	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5,251,600	-	5,251,600	5,251,600	-	5,251,600

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	5,251,600	5,251,600

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	5,251,600	5,251,600

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Investment properties (Land) are held for capital appreciation.

Restriction on the ability to realise investment property or the remittance of revenue and proceeds of disposal. The correction of error for investment properties was due to the duplication of an asset reflecting in the asset register.

4. Property, plant and equipment

2017				2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value Valuation	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	12,799,352	(3,466,242)	9,333,110	12,228,780	(2,657,560)	9,571,220
Capital Work in Progress	12,874,378	-	12,874,378	16,846,416	-	16,846,416
Furniture and fixtures	7,877,254	(3,810,406)	4,066,848	7,382,697	(3,347,726)	4,034,971
Infrastructure	51,046,421	(12,114,505)	38,931,916	42,735,836	(9,368,245)	33,367,591
Community Assets	63,098,041	(14,826,347)	48,271,694	54,914,076	(11,974,265)	42,939,811
Total	147,695,446	(34,217,500)	113,477,946	134,107,805	(27,347,796)	106,760,009

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -

2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Write Off	Total
Buildings	9,571,220	-	-	570,572	(351,666)	(457,016)	-	9,333,110
Capital Work in Progress	16,846,416	14,335,949	-	(17,852,268)	-	-	(455,719)	12,874,378
Furniture and fixtures	4,034,971	994,928	(270,769)	-	(690,809)	(1,473)	-	4,066,848
Infrastructure	33,367,591	-	-	8,310,585	(2,746,260)	-	-	38,931,916
Community Assets	42,939,811	-	-	8,971,111	(2,798,308)	(53,774)	(787,146)	48,271,694
	106,760,009	15,330,877	(270,769)	-	(6,587,043)	(512,263)	(1,242,865)	113,477,946

Reconciliation of property, plant and equipment -

2016

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	9,938,615	-	-	-	(367,395)	-	9,571,220
Capital Work in Progress	22,189,875	17,065,287	-	(22,178,265)	-	(230,481)	16,846,416
Furniture and fixtures	3,241,895	1,706,578	(198,623)	-	(714,879)	-	4,034,971
Infrastructure	28,370,448	-	-	7,180,596	(2,183,453)	-	33,367,591
Community Assets	30,734,208	-	-	14,997,668	(2,303,170)	(488,895)	42,939,811
	94,475,041	18,771,865	(198,623)	-	(5,568,897)	(719,376)	106,760,009

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Figures in Rand		2017		2016		
5. Intangible assets						
2017		2016				
Cost /	Accumulated Carrying value		Cost / Accumulated Carrying value			
	Valuation	amortisation and accumulated impairment	Valuation	amortisation and accumulated impairment		
Computer software	1,082,624	(278,722)	803,902	808,151	(109,899)	698,252
Reconciliation of intangible assets - 2017						
	Opening balance		Additions	Amortisation	Total	
Computer software	698,252		274,472	(168,822)	803,902	
Reconciliation of intangible assets - 2016						
	Opening balance		Additions	Amortisation	Total	
Computer software, other	48,088		687,932	(37,768)	698,252	
6. Operating lease asset and liabilities						
Current assets				88,400	72,875	
Current liabilities				-	(4,153)	
				88,400	68,722	
7. Receivables from exchange transactions						
Payment In Advance				964,896	-	
Other debtors				240,346	190,116	
				1,205,242	190,116	
8. VAT receivable						
VAT				-	88,671	
9.Consumer debtors						
Gross balances						
Rates				19,615,083	14,323,363	
Refuse				175,306	-	
				19,790,389	14,323,363	
Less: Allowance for impairment						
Rates				(8,369,159)	(6,264,270)	
Refuse				(63,872)	-	
				(8,433,031)	(6,264,270)	

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9.Consumer debtors (continued)		
Net balance		
Rates	11,245,924	8,059,093
Refuse	111,434	-
	11,357,358	8,059,093
Rates		
Current (0 -30 days)	2,352,309	2,183,147
30 days	658,097	682,593
60 days	580,561	542,939
90 days	530,915	537,921
120 days	489,150	519,751
150 days	478,635	471,285
180 days	14,525,416	10,630,815
Debtors Discounting	(4,150,251)	(3,281,274)
Provision for bad debt	(4,218,908)	(3,335,554)
Land claims error(Debtors Restated)	-	(1,245,089)
Land Claims error(Provision & Debtors Discounting)	-	352,559
	11,245,924	8,059,093
Refuse		
Current (0 -30 days)	37,264	-
31 - 60 days	23,684	-
61 - 90 days	16,374	-
91 - 120 days	13,691	-
121 - 365 days	24,154	-
> 180 days	60,139	-
Debtors Discounting	(31,674)	-
Provision for bad debts	(32,198)	-
	111,434	-
Reconciliation of allowance for impairment		
Balance at beginning of the year	(6,264,270)	(4,537,696)
Contributions to allowance	(2,168,761)	(1,726,574)
	(8,433,031)	(6,264,270)
Councillors in Arrears		
No councillors were in arrears the municipality in 2016/2017	Nil	Nil
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand /Float	521	521
Standard Bank -Account number - 052149978 - Current account	2,261,809	1,042,318
Standard Bank -Account number - 354264338 - Market Link	50,553,493	36,217,540
	52,815,823	37,260,379
Bank statement balances	-	-
Standard Bank Account number 052 1499 78 - Current account	2,373,937	1,042,318
Standard Bank Account number 354 264 338 - Market link	50,553,493	36,217,540

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11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG	1,440,197	-
Municipal assistance programme	47,028	47,028
Community development workers grant	11,225	11,225
Financial management grant	-	1,051
Housing grant	444,068	1,03,274
Lums grant	46,537	46,537
Electrification Grant	2,398,234	1,538,667
EPWP grant	7,980	45,961
Library grant	1,040,126	442,855
	5,435,395	3,170,598

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Figures in Rand	2017	2016
11. Unspent conditional grants and receipts (continued)		
Movement during the year		
Municipal systems improvement grant		
Current year receipts	-	930,000
Conditions met - transfer to revenue	-	(930,000)
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
Financial management grant		
Opening balance	1,051	271,157
Current year receipts	1,825,000	1,800,000
Conditions met - transfer to revenue	(1,826,051)	(2,070,106)
Conditions still to be met - transfer to liabilities	-	1,051
Housing grant		
Opening balance	1,037,274	444,068
Current year receipts	(593,206)	593,206
Conditions still to be met - transfer to liabilities	444,068	1,037,274
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
Municipal infrastructure grant		
Current year receipts	13,926,000	16,851,000
Conditions met - transfer to revenue	(12,485,803)	(16,851,000)
Conditions still to be met - transfer to liabilities	1,440,197	-
Soul buddies		
Opening balance	-	2,375
Current year receipts	-	-
Conditions met - transfer to revenue	-	(2,375)
Conditions still to be met - transfer to liabilities	-	-
Electrification		
Opening balance	1,538,667	3,232,856
Current year receipts	10,000,000	2,000,000
Conditions met - transfer to revenue	(9,140,433)	(3,694,189)
Conditions still to be met - transfer to liabilities	2,398,234	1,538,667

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11. Unspent conditional grants and receipts (continued)		
Expanded Public Works Programme Grant		
Opening balance	45,961	-
Current year receipts	1,253,000	1,058,000
Conditions met - transfer to revenue	(1,290,981)	(1,012,039)
Conditions still to be met - transfer to liabilities	7,980	45,961
Library Grant		
Opening balance	442,855	-
Current year receipts	1,265,000	1,244,000
Conditions met - transfer to revenue	(667,729)	(801,145)
Contributions still to be met - transfer to liabilities	1,040,126	442,855
LGSETA		
Opening balance	-	43,131
Conditions met - transfer to revenue	-	(43,131)
	-	-

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

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

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

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12. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Medical Aid Benefits and Long Service Awards (Long Term)	2,816,008	302,340	3,118,348
Provision for leave	1,861,846	80,740	1,942,586
Medical aid benefits and long service (Short term)	66,485	121,152	187,637
	4,744,339	504,232	5,248,571

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Medical Aid Benefits and Long Service Awards (Long Term)	2,200,000	616,008	2,816,008
Provision for leave	1,621,566	240,280	1,861,846
Medical aid benefit and Long service (Short term)	61,000	5,485	66,485
	3,882,566	861,773	4,744,339

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

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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:

	2017 (R millions)	2016 (R millions)
Discount rate per annum	10.11%	9.88%
Health care cost inflation rate	8.37%	8.85%
Net discount rate	1.61%	0.95%
Maximum subsidy inflation rate	5.90%	
Net discount rate	3.98%	
Retirement age	65	65
Males		
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	47	51
Number of pensioners	0	0
No. of Active employees	0	0
Accrued liability at 30 June	2,104,029	1,697,483
Future - service cost	179,350	129,000
Interest cost	167,646	124,000
Expected benefits payments/ Change in assumption	0	0
Actuarial loss/(gain)	59,550	159,483
Total annual expense	406,546	253,000
Projected accrued liability at 30 June ensuing year	2,521,590	1,950,483
Accrued liability at 30 June	2,104,029	1,697,483
Short term portion of accrued liability	-	-
Long term portion of accrued liability	2,104,029	1,697,493
The effect on the liability of a 1% change in the assumed rate of medical inflation:	Liability (R millions)	Liability (R millions)
Central assumptions	2,104	1,697
1% increase in assumed medical inflation	2,300	1,793
1% decrease in assumed medical inflation	1,835	1,561

Mkhambathini Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
12. Provisions (continued)		
Long Service Awards and Retirement Gifts		
LONG SERVICE AWARDS AND RETIREMENT GIFTS		
The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.		
The main assumptions used by the actuary are:	2017 (R millions)	2016 (R millions)
Discount rate per annum	8,64%	8,74%
General salary inflation rate (long term)	6.46%	7.38%
Net effective discount rate	2.05%	1.27%
Retirement age		
Males	65	65
Females	65	65
Mortality during employment : SA 85-90 Ultimate Table adjusted for Female lives		
Number of Active employees	72	79
Accrued liability at 30 June	1,201,956	1,185,010
Future - service cost	150,058	118,000
Interest cost	100,747	93,000
Expected benefits payments	64,161	-61,000
Actuarial loss/(gain)	191,626	59,010
Accrued expense	21,928	
Total annual expense	16,946	209,010
Projected accrued liability at 30 June ensuing year	1,236,604	1,185,010
Accrued liability at 30 June	1,201,956	1,185,010
Short term portion of accrued liability	187,637	-66,485
Long term portion of accrued liability	1,014,319	1,118,525
The effect on the liability of a 1% change in the assumed rate of salary inflation:	Liability (R millions)	Liability (R millions)
Central assumptions	1,180	1,185
1% increase in assumed salary inflation	1,275	1,290
1% decrease in assumed salary inflation	1,095	1,092
13. Payables from exchange transactions		
Trade payables	3,360,373	1,899,962
Other creditors	591,613	515,515
Retention	2,992,834	3,794,003
	6,944,820	6,209,480

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Figures in Rand	2017	2016
14. Revenue		
Service charges	466,332	-
Commissions received	15,565	12,714
Other income	609,855	591,207
Interest received - investment	5,690,548	3,948,435
Property rates	11,961,448	11,281,258
Government grants & subsidies	66,502,689	72,777,380
Fines, Penalties and Forfeits	37,520	92,650
Licenses and permits	4,694,374	3,860,691
	89,978,331	92,564,335
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	466,332	-
Commissions received	15,565	12,714
Other income	609,855	591,207
Interest received - investment	5,690,548	3,948,435
	6,782,300	4,552,356
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11,961,448	11,281,258
Transfer revenue		
Government grants & subsidies	66,502,689	72,777,380
Fines, Penalties and Forfeits	37,520	92,650
Licenses and Permits	4,694,374	3,860,691
	83,196,031	88,011,979
15. Other income		
Operating lease income	69,051	77,058
Library Income	23,372	20,007
Clearance Certificates	10,247	16,289
Tender Fees	48,202	80,795
Building Plan (Plan Fees)	194,200	247,663
UMDM and DSD Receipts	258,409	139,768
Planning Application Fee	6,374	9,627
	609,855	591,207
16. Interest received		
Interest revenue		
Interest earned from investments	3,004,349	1,875,411
Interest charged on trade and other receivables	2,686,199	2,073,024
	5,690,548	3,948,435

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
17. Property rates		
Rates received		
Residential	3,007,105	2,695,919
Commercial	600,471	755,369
State and Education	1,116,346	689,479
Agriculture	3,000,808	2,938,573
Public service infrastructure	156,495	375,617
Sectional Title	809,509	763,871
Other Properties	1,620,842	2,053,469
Industrial	3,111,929	2,936,256
Land Claims Error	-	(545,250)
Less: Income forgone	(1,462,057)	(1,382,045)
	11,961,448	11,281,258
Valuations		
Residential	277,921,000	277,921,000
Commercial	67,242,000	67,242,000
State and education	75,023,270	79,743,520
Agriculture	1,538,876,000	1,534,981,000
Public service infrastructure	80,254,000	80,254,000
Sectional Title	74,816,000	74,816,000
Other Properties	273,158,990	268,438,740
Industrial	418,270,000	418,270,000
	2,805,561,260	2,801,666,260
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
18. Government grants and subsidies		
Operating grants		
Equitable share	50,183,000	51,341,000
Library - Grant Income	667,729	801,145
Financial Management Grant	1,826,051	1,799,065
Municipal Infrastructure Grant - Income	12,485,803	16,851,000
Municipal System Improvement Grant	-	930,000
LGSETA	49,125	43,131
EPWP Grant	1,290,981	1,012,039
	66,502,689	72,777,380

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
19. Employee related costs		
Basic	15,351,139	13,783,855
Bonus	1,303,929	887,591
Medical aid	1,186,140	1,097,113
UIF	140,963	118,764
SDL	204,502	184,800
Leave pay provision charge	872,206	722,475
Phone Allowance	46,220	44,304
Defined contribution plans	2,758,486	2,357,828
Travel, motor car, accommodation, subsistence and other allowances	214,000	237,456
Overtime payments	1,183,480	1,174,534
Acting allowances	46,085	42,291
Housing benefits and allowances	199,906	148,805
Bargaining Council Contributions	8,216	6,954
Stipend - Ward Committee	480,000	788,000
	23,995,272	21,594,770
Remuneration of Municipal Manager		
Annual Remuneration	1,081,185	635,482
Travel Allowance	72,000	51,456
Other Allowances	-	1,487
Back Pay	9,831	-
Cellphone Allowance	16,500	12,864
	1,179,516	701,289
The Municipal Manager was appointed with effect from 15 October 2015		
Remuneration of Chief Finance Officer		
Annual Remuneration	843,945	720,755
Travel Allowance	72,000	72,000
Other Allowances	386	386
Back Pay	8,176	12,978
Cellphone Allowance	9,600	9,600
	934,107	815,719
Remuneration of Manager of Community Services		
Annual Remuneration	675,414	697,955
Travel Allowance	70,000	84,000
Back Pay	8,176	12,978
Leave Pay	129,651	-
Other allowances	9,321	11,186
Cellphone Allowance	8,000	9,600
	900,562	815,719

The Manager Community Services resigned in April 2017.

Remuneration of Manager Technical Services

The Manager Technical Services position has been vacant since February 2015.

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Figures in Rand	2017	2016
19. Employee related costs (continued)		
Remuneration of Manager of Corporate Services		
Annual Remuneration	-	281,055
Car Allowance	-	25,000
Performance Bonuses	-	4,661
Contributions to UIF, Medical and Pension Funds	-	12,978
Other	-	117,928
Other	-	4,000
	-	445,622
The Corporate Services Manager position has been vacant since 21 November 2015.		
20. Remuneration of councillors		
Mayor	798,762	741,004
Deputy Mayor	561,156	592,280
Exco Members	311,529	318,634
Speaker	526,536	592,280
Councillors	2,599,948	2,375,513
	4,797,931	4,619,711
21. Administrative expenditure		
Contributions to Medical Aid and long service awards	423,492	621,493
22. Debt impairment		
Debt impairment	2,168,761	1,374,015

Mkhambathini Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
23. General expenses		
Materials	22,820	28,855
Advertising	211,105	147,775
Auditors remuneration	1,089,236	1,187,514
Pound Security	30,000	60,000
Face Value - Licence Card Renewals	429,050	314,244
Legal Expenses	557,828	463,445
Consumables	401,024	269,717
Valuation Fees	229,146	289,035
Landfill Site Fees	247,402	177,317
Loss on sale of an asset	967,915	161,632
Rentals	481,635	373,615
Insurance	134,598	802,035
Community development and training	2,745,907	4,709,959
Conferences and seminars	535,522	254,123
Interest Paid	143,489	208,555
IT expenses	440,334	366,493
Levies - Kwa Nologa	500,000	500,000
Magazines and Periodicals	96,325	40,877
Licence Renewal	16,268	17,868
Disaster Management	249,531	348,039
Fuel and oil	418,921	377,195
Postage and courier	26,491	30,837
Printing and stationery	407,053	622,679
Art & Culture	333,171	364,915
Protective clothing	146,731	134,481
Security Charges - Banking	287,950	88,149
Telephone and fax	456,730	541,197
District Shared Services Contribution	133,718	192,065
Training and Development	554,057	515,437
Subsistence and Travelling	112,051	89,506
Electricity	809,655	650,519
Tracker Subscription	30,352	25,797
Building Control	62,204	73,941
Sport and Recreation	990,277	1,179,774
Civic and Hospitality	177,652	165,300
Consultants Fees	3,168,493	2,401,461
Other expenses	586,970	1,301,061
	18,231,611	19,475,412
24. Auditors' remuneration		
External Audit Fees	1,089,236	1,187,514
25. Operating lease commitments (lessee)		
Operating Lease payment rentals payable by the municipality for certain office photocopying machines. Leases are negotiable between three to five years. Lease rentals escalates between 0 to 10 % per annum over the period of lease.		
Operating Lease - as lessee (Expense)		
Minimum Lease Payment Due		
Within 1 year	149,049	108,427
Between two to five years	102,085	153,604
	251,134	262,031

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
26. Operating lease commitments (lessor)		
Present value of minimum lease payment due		
Within 1 year	68,572	68,572
Between two to five years	274,289	274,289
Greater than five years	-	68,572
	342,861	411,433
27. Cash generated from operations		
Surplus	26,753,724	34,167,898
Adjustments for:		
Depreciation and amortisation	6,755,751	5,600,187
Loss on sale of assets	967,914	161,632
Impairment deficit	512,262	719,376
Debt impairment	2,168,761	1,374,015
Movements in operating lease assets and accruals	(19,678)	(21,027)
Movements in provisions	504,232	861,773
Changes in working capital:		
Inventories	-	-
Receivables from exchange transactions	(1,015,126)	685,648
Consumer debtors	(5,467,026)	(2,088,087)
Payables from exchange transactions	(1,458,649)	(4,729,813)
VAT Payable	3,634,664	4,268,061
VAT Receivable	88,761	1,954,580
Unspent conditional grants and receipts	(2,264,797)	(884,648)
	31,160,793	42,069,595

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Capital Commitments		
Committed in respect of Capital Expenditure		
Approved and contracted for		
• Road Infrastructure	3,609,233	441,091
• Community Infrastructure	1,705,395	2,516,270
	5,314,628	2,957,361
Approved and not yet contracted for		
• Community Infrastructure	17,884,349	10,901,826
• Road Infrastructure	3,200,000	4,724,174
	21,084,349	15,626,000
Total capital commitments		
Approved and Contracted For	5,314,628	2,957,361
Not yet Contracted for and Approved by Accounting Officer	21,084,349	15,626,000
	26,398,977	18,583,361
Commitments in respect of operating expenditure		
Approved and Contracted for		
• Contracted Services	786,233	1,352,748
• Electrification	1,433,338	1,538,667
	2,219,571	2,891,415
Total operational commitments		
Already contracted for but not provided for	2,219,571	2,891,415
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
	342,861	411,433

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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29. Contingent Liability

1. Due to the fact that not all the post on the municipality's organogram were evaluated, it is impractical for the municipality to measure the cost of the liability reliably.

Litigation Cases:

2. Director General: Department of Labour - This matter concerns claims against the municipality for allegedly breaching certain conditions of the Employment Equity Act. The expected costs are R1 600 000.
3. Durban Sky Dive Centre cc and another - This matter is a town planning contravention for illegal use. The expected cost is R109 364.
4. Excellence at work consultants cc - Termination of a feasibility study for a cemetery site. The expected costs are R23 912.
5. SANRAL - To negotiate the purchase of land from SANRAL for municipal use. The matter is being held in abeyance.
6. AM Shezi - Rescission of a default judgement. The matter is pending. The expected cost is unknown at this point.
7. Land invasion (Amasisweni Maqamu Trust) - Illegal buildings are being erected on trust land with no permission. The matter is pending. The expected cost is unknown at this point.
8. Wartnaby and others - To address the complaints received in regards to the illegal occupation of Hope Farm. The matter is pending. The expected cost is unknown at this point.
9. Amber Productions cc - Clearing of vacant land. The matter is pending. The expected cost is unknown at this point.
10. Global Pact - The dispute between the contractor and consultant implementing a project for the municipality. The estimated cost is R2 000 000.
11. Manderstone PDA appeal - The appellants advised that it was their intention to bring a high court review applications against the municipality to prove the rezoning. The high court application notice has been received and the council will then decide whether or not to oppose the application or set aside the matter. The costs are unknown at this point.
12. HFR Properties (Pty) Ltd - Portion 17 of the farm Honing Krantz no 945 - HFR properties has erected building without approved plans and is using the property in conflict with town planning scheme provision. The attorneys have been instructed to obtain the court order for the illegal use of the property. The expected cost is unknown at this point.
13. Spar Development - Actions was taken against the developers of Spar to enforce compliance with various transgressions of the town planning scheme. The developer appealed to the municipality to allow it time to regulate the transgression. Discussions are to be held with Spar. The expected costs are unknown at this point.
14. ERF 149 Camperdown Madrasah - A successful order was obtained to prevent unlawful occupation of a building erected without necessary building plans. A bill of cost was taxed but the municipality decided to pursue the matter out of the court and implement the court order to demolish the building.

30. Related parties

During the year the municipality traded with an employee, Mr. M.S. Shange who provided his firearm for official duties amounting to R9 000 (2016: 36 000).

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Notes to the Annual Financial Statements

31. Prior period errors

Figures in Rand

31. Prior period errors (continued)

Statement of financial position	As previously reported (6,736,277)	Correction of errors	Total Restated
Payables from exchange transactions		526,797	(6,209,480)
Property, plant and equipment (PPE)	106,313,919	446,090	106,760,009
Consumer Debtors	8,951,467	(892,530)	8,058,937
Receivables from exchange transaction	180,715	9,401	190,116
Other Creditors	333,865	106,966	440,831
VAT Payable	-	4,268,061	4,268,061
VAT Receivables	355,277	(266,606)	88,671
Accumulated Surplus	143,932,503	(3,948,139)	139,984,364
	253,331,469	250,040	253,581,509

- **Property plant and equipment** - This is as a result of expenditure not capitalised, depreciation and loss on sale of assets.
- **Receivables from exchange transactions** - This is a result of other debtors recognised in the comparative year.
- **Accumulated surplus** - This is a result mainly for the movement in the property, plant and equipment and payables.
- **Payables from exchange transaction** - This is a result of an error in payables raised in previous financial years.
- **VAT Receivables** - This due to the reversal of revenue recognised for electrification grant as per the new treatment recommended by National Treasury where the municipality acts as Agent on electrification projects.

Statement of Financial Performance	As previously reported	Correction of errors	Total Restated
Depreciation	(5,587,825)	(11,502)	(5,600,187)
Electrification - Revenue	(2,194,189)	2,194,189	-
General Expense	19,619,161	(143,749)	19,475,412
Property Rates	11,826,508	(545,250)	11,281,258
Debt Impairment	(1,726,574)	352,559	(1,374,015)
Interest Received	4,117,139	(168,704)	3,948,435
Electrification - Expenditure	1,927,583	(1,927,583)	-

32 Risk

management

Liquidity risk

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

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

The amount reflected within trade and other payables from exchange transactions are R 6944 820.00 (2016 : R6,209,480)

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32. Risk management (continued)

Credit risk

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

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

Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2017	2016
Cash and Cash Equivalent	52,815,823	37,260,379
Consumer Debtors	11,357,358	8,059,093

33. Going concern

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

34. Events after the reporting date

In terms of the Re-determination of Boundaries in terms of section 21 of the Local Government - Municipal Demarcation Act, 1998 (Act No.27 of 1998), municipal boundaries have been re-determined for Mkhambathini Municipality. Upon there being a transfer, the following documents must be in place: The Establishment Notice that is Section 12 Notice, The Transitional Notice setting out what the transfer will entail in terms of pertinent issues that is staff, assets, etc. and an Administrator/Transitional Manager appointed to address all issues pertaining to the transfer. These documents/parties will then indicate the main features underlying the transfer such as borders changing, dissolution/incorporation of the municipality, staff and assets transferred. These documents will then constitute a binding agreement. Section 12 Notices have been issued by KZN CoGTA regarding the municipal demarcations in 2016 (Provincial Notice 142 and 143 of 2016). However, Transitional Notices/Circulars have not yet been issued by KZN CoGTA. No binding agreements have been signed between Mkhambathini Local Municipality and the other affected municipalities. However, preliminary engagements have commenced between Mkhambathini Local Municipality and eThekweni Metropolitan Municipality regarding the transfer of assets.

Local Government elections took place on 3 August 2016. A new council was elected and inaugurated on 17 August 2016.

35. Fruitless and wasteful expenditure

Opening balance	3,158,129	2,966,935
Add: Fruitless and wasteful expenditure - current year	965,475	191,194
Discovered during the Audit	84,711	-
Less: Amount Condoned	-	-
Closing Balance	4,208,315	3,158,129

Interest of R953 950 was paid to SARS arising from the Voluntary Disclosure Relief Programme (VDP) that is administered by SARS. Interest amounting to R2 525 consist of interest on overdue accounts from Telkom and Eskom. Salary paid to the municipality manager's personal assistant (Relief) amounting to R84 711

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Figures in Rand

36. Irregular expenditure

Opening balance	3,246,466	3,123,610
Add: Irregular Expenditure - current year	966,000	-
Less: Amounts condoned	-	-
Discovered during the audit	953,689	122,856
Less: Amounts not recoverable (not condoned)	-	-
Amounts not condoned	5,166,155	3,246,466

Irregular expenditure consist of the following:

R966 900.00 relates to contracts awarded to Taxi operators whom were not registered on Central Supplier Database in the current financial year 2016/2017 which is in contravention with MFMA Circular 81 Web Based Central Supplier Database, a contract expansion above 15% for Aarot Solutions which is also in contravention with Municipal Supply Chain Management Circular 62 amounting to R702 240.00 and an award made to first technology amounting R251 448.66 without following tender processes as stated by the SCM regulation..

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	500,000	500,000
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Audit fees

Amount paid - current year	1,089,236	1,187,514
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PAYE and UIF

Current year subscription / fee	4,422,602	4,376,537
Amount paid - current year	(4,422,602)	(4,376,537)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	5,564,060	5,200,057
Amount paid - current year	(5,564,060)	(5,200,057)
	-	-

VAT Receivable

VAT receivable	-	88,671
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All VAT returns have been submitted by the due date throughout the year.

38. VAT Payable

Tax Payable	633,397	4,268,061
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Figures in Rand

38. VAT Payable (continued)

VAT output payables and VAT input receivables are shown in the notes 8 & 38. The municipality applied for relief afforded by the Voluntary Disclosure Relief Programme (VDP) that is administered by SARS in terms of the Tax Administration Act (no. 28 of 2011). The VDP application was due to the understatement of VAT and the period covered included June 2011 to June 2015. The impact for the municipality in the 2016/17 financial year included an amount of R4 268 061 that was paid to SARS on 30 September 2016. R633 397.00 relates to VAT claimed on electrification projects and will be paid back to SARS by municipality through VDP in the new financial year. The municipality was not supposed to claim any VAT on electrification projects because they are acting as agents.

39. Repairs and maintenance

Building maintenance	359,204	49,376
Equipment	25,768	3,000
Motor vehicles	247,451	251,243
Road maintenance	1,727,981	453,540
Other	625,549	103,059
	2,985,953	860,218

40. Capital Work in Progress

Community Assets	9,860,530	13,240,635
Infrastructure Assets	3,013,972	3,540,272
	12,874,502	16,780,907

Appendix G3
Budgeted Financial Performance (revenue and expenditure) for the year
ended 30 June 2017

2017/2016

2016/2015

Original Budget	Budget	Final	Shifting of	Virement	Final Budget	Unauthorised	Variance of	Actual	Actual	Reported	Expenditure	Balance to be	Restated
	Adjustments	adjustment	funds	(i.t.o. Council	Outcome	expenditure	Actual	Outcome as %	Outcome as %	unauthorised	authorised in	recovered	Audited
(i.t.o. s28 and s31 of the MFMA)		budget	s31 of the MFMA)	approved policy)	Outcome against	Adjustments	Budget	of Final	of Original	expenditure	terms of section 32 of MFMA		Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source													
Property rates	12,662,927	-	12,662,927	-	12,662,927	11,961,447	(701,480)	94 %		94 %			11,281,258
Property rates - penalties & collection charges	-	-	-	-	-	-	-	DIV/0 %		DIV/0 %			-
Service charges - electricity revenue	-	-	-	-	-	-	-	DIV/0 %		DIV/0 %			-
Service charges - water revenue	-	-	-	-	-	-	-	DIV/0 %		DIV/0 %			-
Service charges - sanitation revenue	-	-	-	-	-	-	(33,668)	93 %		93 %			-
Service charges - refuse revenue	500,000	-	500,000	-	-	-	-	DIV/0 %		DIV/0 %			-
Service charges - other	-	-	-	-	500,000	466,332	-	DIV/0 %		DIV/0 %			-
Rental of facilities and equipment	-	-	-	-	-	-	537,094	122 %		182 %			1,875,411
Interest earned - external investments	1,650,000	817,255	2,467,255	-	-	-	1,510,160	228 %		228 %			2,073,024
Interest earned - outstanding debtors	1,176,039	-	1,176,039	-	2,467,255	3,004,349	-	DIV/0 %		DIV/0 %			-
Dividends received	-	-	-	-	1,176,039	2,686,199	(32,531)	54 %		54 %			92,650
Fines	70,051	-	70,051	-	-	-	303,191	107 %		120 %			3,860,691
Licences and permits	3,922,956	468,227	4,391,183	-	70,051	37,520	-	DIV/0 %		DIV/0 %			58,120,568
Agency services	-	-	-	-	4,391,183	4,694,374	(1,988,464)	97 %		99 %			603,921
Transfers recognised - operational	64,525,000	1,585,679	66,110,679	-	-	-	(177,973)	78 %		78 %			-
Other revenue	803,393	-	803,393	-	66,110,679	64,122,215	-	DIV/0 %		DIV/0 %			-
Gains on disposal of PPE	-	-	-	-	803,393	625,420	-						-
Total Revenue (excluding capital transfers and contributions)	85,310,366	2,871,161	88,181,527	-	88,181,527			99 %	103 %				77,907,523
	87,597,856	(583,671)											

Appendix G3
Budgeted Financial Performance (revenue and expenditure) for the year
ended 30 June 2017

2017/2016											2016/2015			
Original Budget	Budget Final	Shifting of	Virement	Final Budget	Actual Unauthorised	Variance of	Actual	Actual	Reported	Expenditure	Balance to be	Restated		
	Adjustments	adjustments	funds (i.t.o.	(i.t.o. Council	Outcome	expenditure	Actual	Outcome as %	Outcome as %	unauthorised	recovered	Audited		
(i.t.o. s28 and s31 of the MFMA)	budget	s31 of the MFMA)	approved policy)	Outcome against	Adjustments	Budget	of Final Budget	of Original Budget	expenditure	terms of section 32 of MFMA	Outcome			
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type														
Employee related costs	27,055,615	-	27,055,615	-	27,055,615	23,995,270	-	(3,060,345)			-	-	-	21,594,770
Remuneration of councillors	5,088,000	-	5,088,000	-	5,088,000	4,797,931	-	(290,069)	89 %	89 %	-	-	-	4,619,711
Debt impairment	700,000	-	700,000	-	700,000	2,168,761	-	1,468,761	94 %	94 %	-	-	-	1,374,015
Depreciation & asset impairment	4,800,000	1,200,000	6,000,000	-	6,000,000	7,268,013	-	1,268,013	310 %	310 %	-	-	-	6,319,562
									121 %	151 %	-	-	-	
Finance charges	184,286	-	184,286	-	184,286	-	-	(184,286)	-	% - %	-	-	-	-
Repairs and Maintenance	6,350,000	-	6,350,000	-	6,350,000	2,985,953	-	(3,364,047)	47 %	47 %	-	-	-	860,218
Transfers recognised operational	14,342,000	-	14,342,000	-	14,342,000	12,217,898	-	(2,124,102)	85 %	85 %	-	-	-	5,458,838
Other expenditure	22,667,652	1,585,679	24,253,331	-	24,253,331	18,068,408	-	(6,184,923)	74 %	80 %	-	-	-	19,475,412
Contribution to Medical Aid and Long Service Awards	318,000	-	318,000	-	318,000	423,492	-	105,492	133 %	133 %	-	-	-	621,493
Total Expenditure	81,505,553	2,785,679	84,291,232	-	84,291,232	71,925,726	-	(12,365,506)	85 %	88 %	-	-	-	60,324,019
Surplus/(Deficit)	3,804,813	85,482	3,890,295	-	3,890,295	15,672,130	-	11,781,835	403 %	412 %				17,583,504
Transfers recognised - capital	15,626,000	(1,700,000)	13,926,000	-	13,926,000	12,485,803	-	(1,440,197)	90 %	80 %				16,851,000
Contributions recognised - capital	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	19,430,813	(1,614,518)	17,816,295	-	17,816,295	28,157,933	-	10,341,638	158 %	145 %				34,434,504
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	19,430,813	(1,614,518)	17,816,295	-	17,816,295	28,157,933	-	10,341,638	158 %	145 %				34,434,504
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	19,430,813	(1,614,518)	17,816,295	-	17,816,295	28,157,933	-	10,341,638	158 %	145 %				34,434,504

Appendix G3
Budgeted Financial Performance (revenue and expenditure) for the year
ended 30 June 2017

Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	19,430,813	(1,614,518)	17,816,295	-		28,157,933		10,341,63	158 %	145 %					34,434,504

Appendix G3
Budgeted Financial Performance (revenue and expenditure) for the year
ended 30 June 2017

2017/2016

2016/2015