



UMZIMVUBU
— LOCAL MUNICIPALITY —

ANNUAL REPORT FOR 2010/2011 FINANCIAL YEAR

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1.1 MAYORS FOREWORD

It is an honour for me to present the Annual Report 2010/2011. During this financial year the Municipality focused on its community members and making their needs and well-being the key priority.

The municipality has invested time in developing its councillors so that they in turn can be of service to their people. This was achieved by means of a skills development programme facilitated by the Leadership Development Institute as well as an MFMA course to better educate the councillors on relevant legislature, to name but a few.

The compilation of the IDP to high standards is also an area to take note of. The IDP sets out the municipality's performance against priorities set and adopted in conjunction with the community and from which stems the SDBIP. During the financial year under review the IDP review was undertaken timeously and without any challenges.

Another area of focus has been the commitment of ward councillors and committee members to their duties and responsibilities. Council meetings were sat to perfect attendance by 90% of the councillors, an area which must be highlighted and acknowledged.

Public participation and consultation also took place in the form of youth development as well as the capacitation of people with disabilities. The municipality has high hopes for the youth and hopes that youth participation continues to grow in the coming years.

All in all it is with great pride that I represent the people of Umzimvubu Municipality as Mayor and would like to congratulate all on yet another successful financial year.



A handwritten signature in black ink that reads "P.B. Mabengu". The signature is written in a cursive style and is enclosed within a thin, hand-drawn oval border.

P.B. Mabengu
Honourable Mayor

1.2 THE YEARLY PROGRAMME PRIORITIES STATEMENT BY THE MUNICIPAL MANAGER

The 2010/11 financial year Annual Report has been compiled in accordance with the Local Government Municipal Systems Act, 32 of 2000, the Local Government Municipal Finance Management Act 56 of 2003, as well as National Treasury Circular No. 11. The report addresses the performance of Umzimvubu Municipality for the year ended 30 June 2011 and conforms to the relevant statutory requirements. This report records the progress made by the municipality in fulfilling its objectives as reflected in the Integrated Development Plan (IDP), the Budget and Service Delivery and Budget Implementation Plan.

The year 2010/2011 was a busy one for Umzimvubu in Municipality. It was a year where many challenges facing the municipality were tackled head on. After an extensive and intensive public participation process where all communities that form part of the Umzimvubu Municipal Area were consulted and allowed to take part in reviewing Integrated Development Plan. This 2010/2011 IDP was adopted within an acceptable time. Notwithstanding, the process itself exposed to us the shortcomings we had in terms of communication. It soon became clear that there was a need for us to improve our communication strategy. This then necessitated that a charge be put to our Communication strategy to address the shortcoming we had with regard to communication. The Institution responded well and produced the framework we needed to enhance our communication efforts. This framework would then help us to reach more people than we had before.

In the year under review the development of parks and beautification projects continued to be rolled out at unprecedented scale.. In addition to abovementioned, after a long delay, the project of library at Mount frère and Mount Ayliff was given a new life by appointing a consulting firm. This appointment was intended to fast track the project. By the end of the year 2010/11 all obstacles towards the construction of the mentioned structures were removed and the project is currently on track to be delivered to the community by the end of 2012. When it comes to sports and recreation, this municipality has worked hard to position itself well to be considered by a leading football nation as the municipality to benefit from FIFA legacy football field for poor communities.

On the Human Resource Development front, a remarkable improvement on transformation was made with the institution. But there is still a long way to go to redress the Imbalances on demographics; the challenge that still dogs us is to attract qualified technicians especially from the previously disadvantaged communities. In repose to this the Umzimvubu Municipality has been able to provide bursaries to 5 students who enrolled the required scarce skills.

Umzimvubu Municipality is proceeding with improving its internal processes and systems on a number of fronts, such as contract administration, performance management, asset management, maintenance programmes, development of municipal by-laws and improving our internal communication and co-ordination to respond to the issues that confront us daily. While we are satisfied with our progress over the past year and are clear about our priorities as articulated in the Integrated Development Plan and MTAS, there is much to do in the year ahead. We are committed to improving the way we work continually in order to deliver quality services to the communities of Umzimvubu. We must therefore continue to strive towards service excellence in meeting and exceeding the needs and aspirations of our community

The year 2010/2011 was a memorable one with its vigorous political events. Some of those events hopefully will never have to recur again. In conclusion I want to single out and thank our Mayor, Councillor B P Mabhengu for her guidance and support to our staff. I want also to show gratitude to the Executive Committee for their commitment to Umzimvubu Municipality.

I would like also to welcome the new council lead by her worship Cllr. S. K. Phangwa, we hope that they will take the municipality to the greater heights with the new vision.

To my senior managers, Assistant Managers and to the rest of the staff members I take off my hat to you and thank you for your selflessness and dedication to your work. The way you have stood your ground to all the adversaries facing you and depressing working conditions at times is highly commendable.

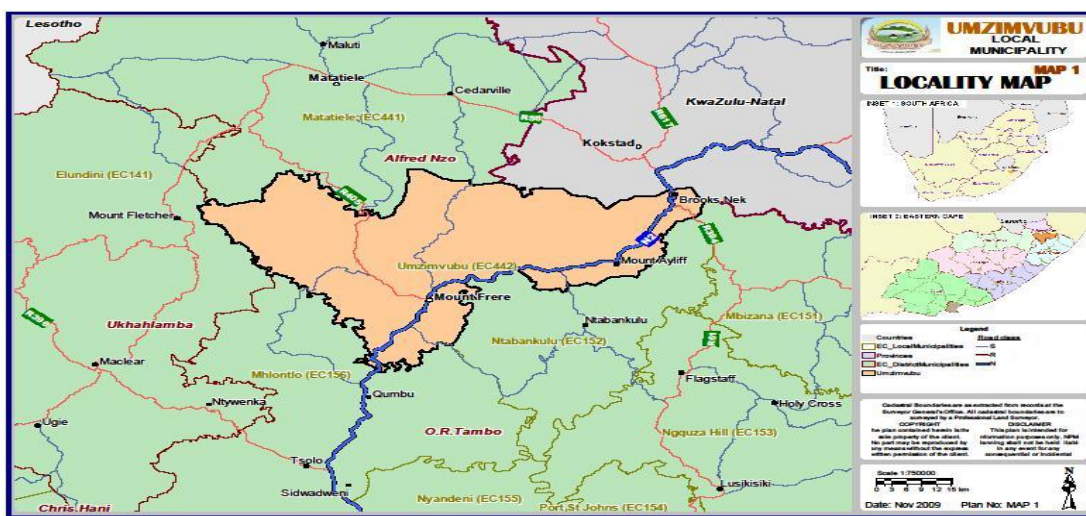



MR. G.P.F. NOTA
MUNICIPAL MANAGER

1.3 OVERVIEW OF THE MUNICIPALITY

Umzimvubu Local Municipality (EC 4420) is one of the local municipalities situated within the Alfred Ndzo District Municipality (DC44) in the Eastern Cape Province. The municipal area has two urban centres being Mount Frere and Mount Ayliff and the area covers an area of 2506 km² in extent. Umzimvubu municipal area comprises of 24 administrative wards with a population totaling to 220 636 and only 10% of this population lives in the urban area.

The municipality is bordered by the Matatiele and Greater Kokstad municipality to the north, Mhlontlo Municipality to the south, Elundini Municipality to the west and Ntabankulu Municipality to the east.



1.4 SOCIO-ECONOMIC PERSPECTIVE

1.4.1 Demographic Information

a) Population Estimates

The municipality has a total population of approximately 220 630 people on an area of 2506 square kilometers. The racial distribution of population in percentages is, Africans are 99.8% and the remaining 0.2% of the population includes the Coloureds, Asians and whites. The average population density of is 88 people per square kilometers which is higher than the district average of 70 people per square kilometers.

The projected population growth for Umzimvubu Local Municipality by the year 2019 is estimated to be 2 526 355 at a population growth rate of 0.828 percent.

The table below reflects the approximate densities between the two urban centers and the rural area of the municipal area. Notably the rural area has the largest population residents.

b) Age and Gender Profile

The municipality comprises of 54% female and 46% male of the total population. Below is the reflection of the age profile for age groups 0 - 14, 15 - 65 and 65. These categories represent infants and school going age category, school leaving and economically active category and retired category, respectively.

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c) Racial Profile

The population of Umzimvubu municipal area is predominantly African constituting 99.8% of the total population. The table below reflects the overall breakdown of racial population in the municipal area.

d) Literacy levels

According to 2007 community survey, the Umzimvubu Municipality is characterized by low literacy levels estimated at 62% of the population without formal education which is relatively lesser than the provincial rate of 72.3%.

e) Employment Status and Occupation

The Umzimvubu Local Municipality is characterized by low levels of employment and a high percentage of people who are not economically active. This in turn accounts for the high poverty levels and low income levels. High unemployment rates impact negatively on municipalities as they are accompanied by low affordability levels which generally result in a poor payment rate for services. Umzimvubu Local Municipality's unemployment rate is estimated to be 78.2% which is higher than the estimated District unemployment level of 76.4%.

The employment status and occupation categories for the study area are reflected in the piecharts below.

The information is derived from the 2007 community survey.

4.1.2 Municipal Infrastructure and Services

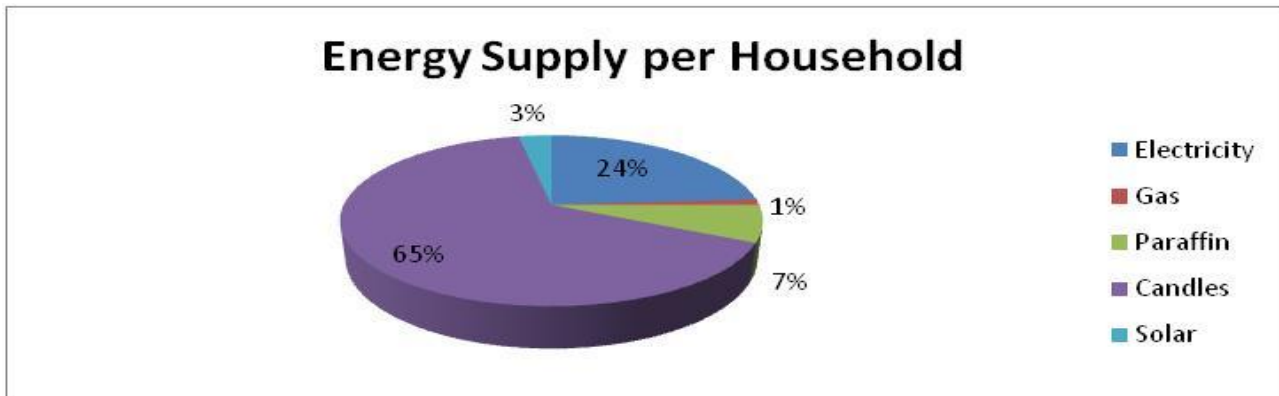
a) Roads and Transport

The Umzimvubu municipal area is transverse by the N2 National Road (primary route) which provides strong linkages between the economic centers that are found around the province of the Eastern Cape and that of KwaZulu-Natal. Other major road within the Municipality is the road R405 (secondary route) linking the municipality with Matatiele municipality and the rural villages along the way. There is generally poor road infrastructure in the rural hinterland of the municipality and this impact negatively to availability and access to socio-economic amenities in these areas. The N2 through Mount Frere town centre poses a major challenge of traffic congestion as slow-moving vehicles pass through the CBD.



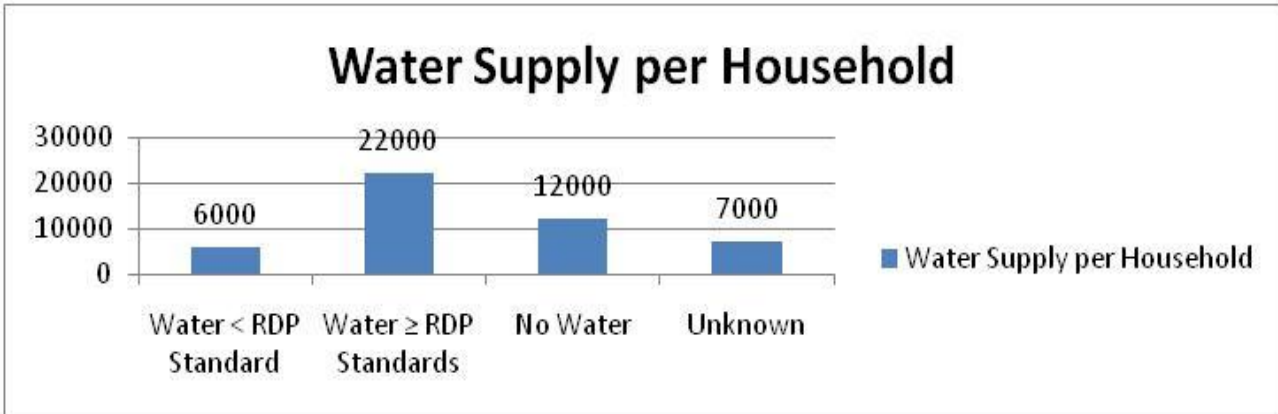
b) Electricity

Eskom Limited is the provider of electricity to the municipal area. As per Census 2001, the municipality currently has 24% of households that have access and uses electricity for lighting while the balance uses other forms of energy as detailed in the chart below. Clearly the municipality has huge backlogs on provision of electricity to its communities.

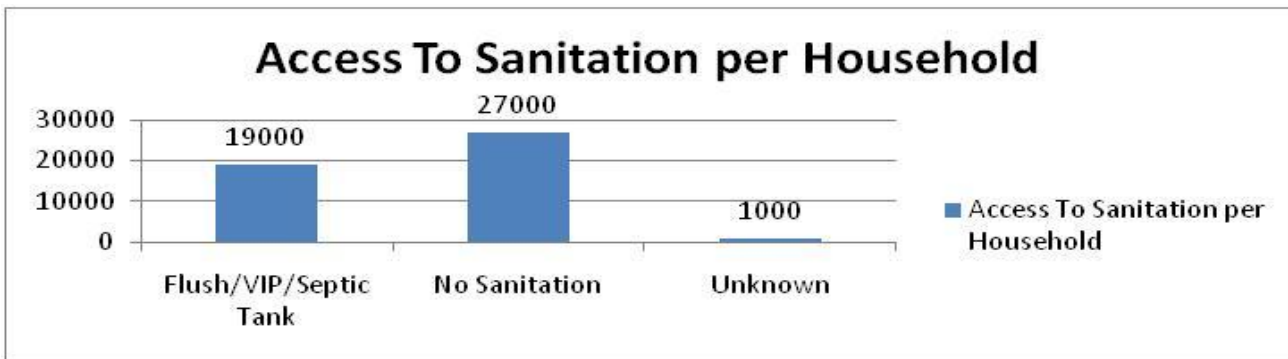


c) Water and Sanitation

The Alfred Ndzo District Municipality is the Water Services Authority (WSA) responsible for providing water and sanitation services to the Umzimvubu municipality area. According to the Water Service Development Plan (WSDP) 2007/08, from a total of 47 000 households, 22 000 Households have access to water inline and above RDP standards, 12, 000 household have no water, 6, 000 are provided water but below RDP standard and 7 000 households are not specified.

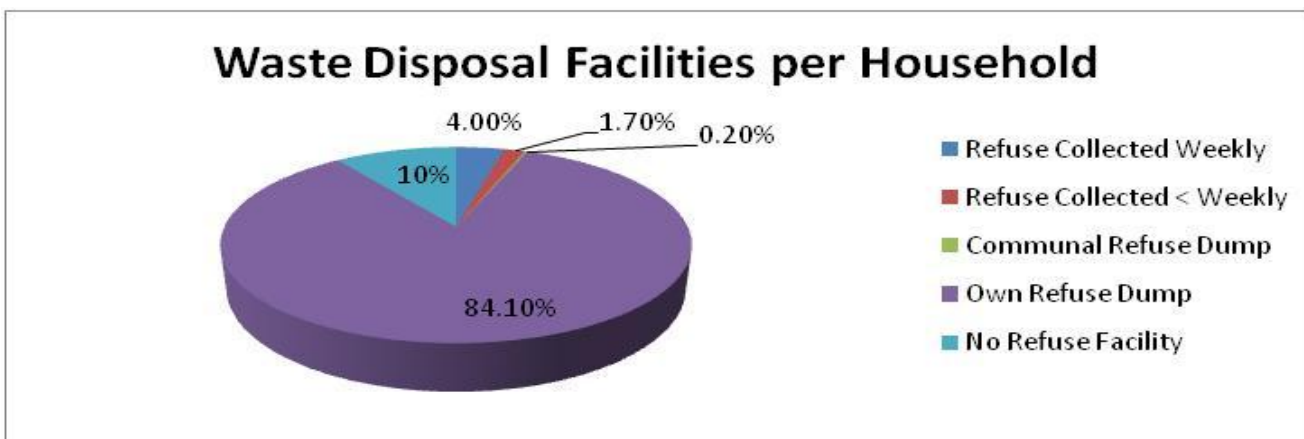


The WSDP 2007/8 reflects that from a total of 47 000 total household, 19 000 households have flush toilets, VIP or septic tanks and 27 000 households are deemed to be un-served. Below is chart which illustrates access to sanitation in the municipal area.



d) Solid Waste Management

The Umzimvubu municipality is responsible for waste management in its area of jurisdiction working together with ANDM. The municipality collects the household refuse from the two urban areas on a weekly basis. There is no refuse collection service provided to the rural areas. The chart below illustrates that only approximately 5.7 percent of the population is provided with refuse collection by the municipality and the rest provides own service or have no access.



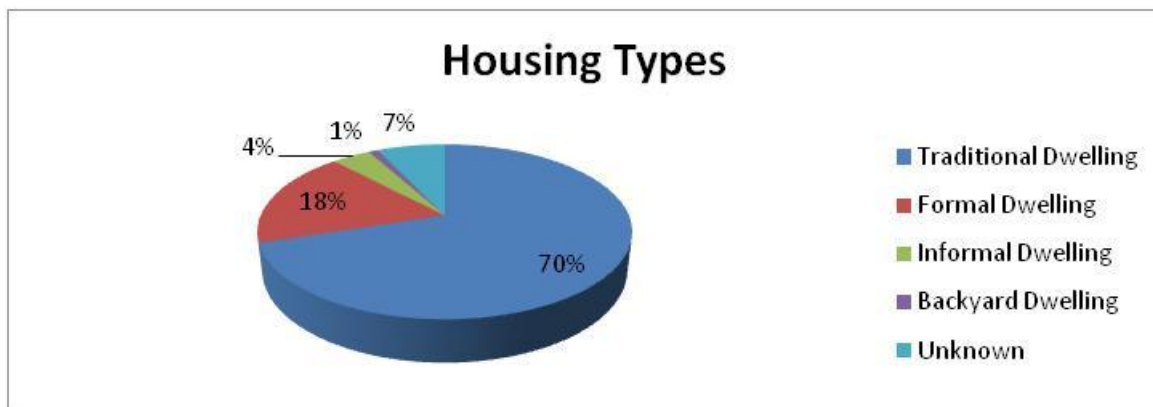
e) Social Amenities

f) Housing typologies

The municipality developed a Housing Sector Plan in 2008 and has been reviewed annually to ensure that it contains the most recent information regarding the housing development in the area. Due to the rural nature of the municipality 70% of the household live in traditional hut/mud structures. These are houses that are built of substandard material. There has also been influx of people into the town centers of Umzimvubu for services and employment opportunities.

According to the adopted Housing Sector Plan the municipality has a backlog of 2000 low income houses required within the urban area and 45 000 rural housing units. The shortage of proper housing in the urban area has resulted in increase of informal settlements. Some of the land that was earmarked for housing is held up with the result of unresolved land claims. The municipality is currently running a large number of rural housing projects to address the shortage of housing and evict the mud structures and also cater for low-income units

The table below indicates the housing typologies that exist within the municipality:



Source: IDP

1.5 EXECUTIVE SUMMARY

Vision

“A municipality that is known to put community first. We will Render quality services through our employees and create a platform for vital economic activity which will create sustainable financial viability and development for all”.

Mission

“To ensure the delivery of quality services that promote economic growth, support development and respond to the community needs in accordance with our development mandate”.

Core Values

<i>U</i>	-	<i>Utilise</i>
<i>M</i>	-	<i>Manage</i>
<i>Z</i>	-	<i>Zeal</i>
<i>I</i>	-	<i>Innovate</i>
<i>M</i>	-	<i>Motivate</i>
<i>V</i>	-	<i>Vision</i>
<i>U</i>	-	<i>Understand</i>
<i>B</i>	-	<i>Believe</i>
<i>U</i>	-	<i>Unite</i>

Goals

The following are the municipality's key development priorities:

- *Infrastructure priorities*
- *Economic priorities*
- *Spatial priorities*
- *Social priorities*
- *Institutional priorities*

1.5.1 Legislation Applicable

- Constitution of the Republic of South Africa Act 108 of 1996
- Municipal Structures Act 117 of 1998
- Municipal Finance Management Act No. 56 of 2003
- White paper Waste Management
- Housing Act 107 of 1997
- Municipal Systems Act 32 of 2000
- Intergovernmental Relations Act No 13 of 2005
- Municipal Property Rates Act No.6 of 2004
- National Environment Management Act 107 of 1998
- Development Facilitation Act of 1995
- Physical Planning Act 125 of 1991
- Land Use Planning Ordinance No. 15 of 1985
- Townships Ordinance 33 of 1934

1.5.2 Organisational Overview

On top of the hierarchy, the municipality has its Council as the decision making body also responsible for approving municipal policies. The Executive Committee exists chaired by the Mayor with chairpersons of the portfolio committees being members. The municipality is structured into six departments and portfolio committees are aligned in the same order being; Office of the Municipal Manager, Budget and Treasury Office, Corporate Services, Special Programmes Unit and Community Services, Infrastructure and Planning as well as Local Economic Development.

1.5.3 Governance Analysis

The Umzimvubu Municipality is a Category B Municipality (local municipality) as defined under section 3 of the Local Government: Municipal Structures Act No. 117 of 1998

Powers and Functions

In terms of Schedule 4 Part B and Schedule 5 Part B, Umzimvubu is required to perform the following functions;

- Air pollution
- Building regulations
- Child care facilities
- Local tourism
- Municipal airports
- Municipal planning
- Municipal public transport

- Storm water
- Trading regulations
- Billboards and the display of advertisements in public places
- Cemeteries, funeral parlours and crematoria
- Cleansing
- Control of public nuisance
- Control of undertakings that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licensing of dogs
- Licensing and control of undertakings that sell food to the public
- Local amenities
- Local sports facilities
- Markets
- Municipal abattoirs
- Municipal parks and recreation
- Municipal roads
- Noise pollution
- Pounds

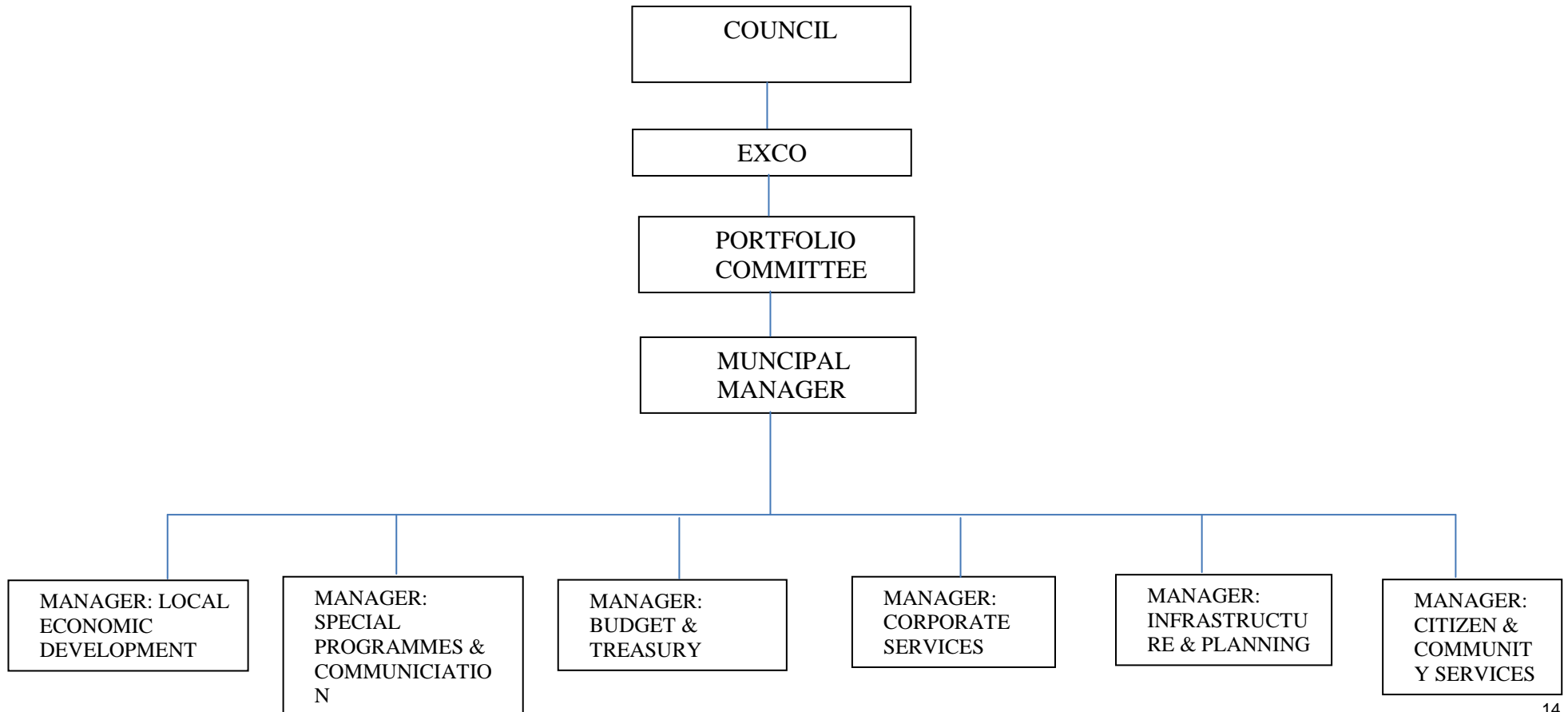
PART 2: KEY PERFORMANCE ACHIEVEMENTS REPORTS

1.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The municipality has adopted an organogram aligned to its Integrated Development Plan and in addition renders support to Councillors and officials in the form of providing human resource support such as development and implementation of relevant policies, skills development and labour relations.

1.1.1 Organisational Structure

Below is the high level view of the organizational structure of the municipality:



Staffing as at 30 June 2011 per department:

Name of Dept.	Number of budgeted posts 2010/11	Posts filled	Number of vacant posts
Budget and Treasury (Finance)	14	05	09
Infrastructure and Planning	08	04	04
Local Economic Development	01	00	01
Corporate services	10	03	07
Office of the Municipal Manager	02	01	01
Citizens and Community Services	12	05	07
SPU and Communications	03	01	02

Staffing and skills:

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
152	71	20	61

Management skills and professional registration:

Number of Section 57 Employees: 06		No. of vacant	01	
		Reason for vacancy	Dismissal of LED Manager	
Name & Surname	Designation	Qualifications	Experience	Professional Registration
Tobela Nota	Municipal Manager	<ul style="list-style-type: none"> ND in Human Resources Management B-Tech in Public Management Masters in Public Administration (In progress) 	N/A	SABPP, ILGMP & IMFO
Novuko Kubone	Manager: Corporate Services	<ul style="list-style-type: none"> B-Juris (Bachelor of Law) L.L.B (Bachelor of Laws) 	N/A	None
Simthembele Kulu	Manager: SP & Communications	<ul style="list-style-type: none"> Bachelor of Arts 	N/A	None
Mzobanzi Sineke	Manager: Citizen and Community Services	<ul style="list-style-type: none"> ND in Marketing Bachelor of Commerce (In progress) 	N/A	None
Sandi Ntonga	Manager: Infrastructure & Planning	<ul style="list-style-type: none"> ND in Civil Engineering B-Tech in Civil Engineering 	N/A	ECSA
Mzingisi Hloba	Manager: Budget & Treasury	<ul style="list-style-type: none"> Bachelor of Commerce (Accounting) B. Comm (Hons) (In progress) 	N/A	IMFO

1.2 Skills Development Programme

The Municipality adopted an Workplace Skills Development for the year 2010/2011 and in line with it the following training was provided to both councillors and officials

Training Programme	Beneficiary	Duration	Dates	Service Provider
Basic Project Management	1	5 days	22-26/11/2010	Vantage Holdings
Integrated Development Plan	6	5 days	19-23/07/2010	DBSA
Occupational Health and Safety	1	2 days	25-26/08/2010	NOSA
Project Management and Contract Management	3	5 months	August 2010 to December 2010	Nelson Mandela Metropolitan University
Tax, Payroll and Claims	2	1 day	06/08/2010	R. Roux and Associates
Assets Management	2	2 days	30/11/2010-01/12/2010	Gobodo Incorporated (Pty) Ltd
Labour Intensive Methods of Construction	4	3 days	03/05/2011-05/05/2010	McIntosh Xaba and Associates
Records Management	1	3 days	08-10/11/2010	LeMark Training and Development (Pty) Ltd
Records Management	1	2 days	25-26/11/2010	PousiereDe'toiles (Pty) Ltd
Councillor Development & Capacity Building	14	2 days	22-23/11/2010	Peakford Management Consultants
Paramount Global Solutions	6	2 days	12-13/12/2010	Paramount Global Solutions
Basic Computer Training	13	6 days	27/01/2011-04/02/2011	Loyiso ICT Consulting
Solid Waste Management	30	5 days	28/02/2011 – 04/03/2011	Integrated Waste & Recycling Services
Introduction to Vulnerability Risk Assessment	1	5 days	11-15/04/2011	Wits Enterprise
Performance Management Workshop	9	2 days	17-18/03/2011	Audit & Risk Management Solutions

Bursaries offered to staff during 2010-2011:

1.3 Total Personnel Expenditure and Disclosures

	NAME & SURNAME	QUALIFICATION
1.	Ms.Phindile Magadla	ND: Human Resources Management
2.	Ms.Nokwazi Manciya	ND: Public Management
3.	Ms.Spokazi Mtolo	ND: Public Management
4.	Ms.Namhla Mjoli	Certificate in Total Quality Management
5.	Mrs.ZukiswaTokwana	Bcomm in Accounting
6.	Mr.Nyameko Mabija	Certificate in Disaster Management
7.	Ms. Faith Garane	Bachelor of Administration
8.	Ms.Gcobisa Skenjane	Honor's Degree in Accounting Science
9.	Mr.Tobela Nota	Masters in Business Administration
10.	Mr.Mzobanzi Sneke	B-Tech in Management
11.	Ms.Yolisa Chapa	Certificate in Financial Management
12.	Ms.Yolisa Libala	ND: Administrative Management
13.	Cllr. T. Tshekela	Masters in Business Administration
14.	Cllr. Z. Ndevu	Bcomm specializing in HR
15.	Ms. S. Mhlungwini	Master in Tourism and Development

Trends of total personal expenditure:

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2008-2009	154 (including interns)			
2009-2010	183 (including fixed term employees			
2010-2011	216 (including interns)			

Senior management salary disclosures:

Expenditure Items R'000	Mr. T. Nota (MM)	Mr. M. Hloba (CFO)	Mr. S.P. Ntonga (Infra.)	Mr. M. Sineke (Comm)	Ms. P. Vitshima (LED)	Mrs. N. Kubone (Corporate)	Mr. Khulu (COO)
Annual Package	859 739	465 775	465 772	465 772	465 772	465 773	465775
Pension	70 945.92	35 759.48	-	-	35 759.48	25 753.37	
Medical Aid	10 084	8 440	-	-	21 495.44	-	
Car allowance	169 672	112 904	171122	246 172	137 221	121 080	112 904
Phone allowance	800.00 (Talk 500)	800.00 (Talk 500)	800.00 (Talk 500)	800.00 (Talk 500)	800.00 (Talk 500)	800.00 (Talk 500)	
Housing allowance	62 044	83810	75 050		52 069	99 408	83 810
Loans & advances	-	-	-	-	-	-	
Arrears owed	-	-	-	-	-	-	
Other benefits & allowances (13 th Cheque)	47 533.77	35 828.64	38 927	35 828.64	72 588	50 034	16 605

Executive committee councilor disclosure:

Expenditure Items R'000	Cllr. SK Pangwa	Cllr. V. Bulana	Cllr. Z. Ndevu	Cllr. L. Nkula	Cllr. PK Thinga Thinga	Cllr. N. Mpumlwana	Cllr. M. Nkqayi	Cllr. LT Qasha	Cllr. EN Ngalonkulu
Annual Package	582 758	240,387	437,068	240,387	240,387	437,068	437,068	437,068	240,387
Pension	43,706.85	18,029.03	32,780.10	18,029.03	18,029.03	32,780.10	32,780.10	32,780.10	18,029.03
Medical Aid	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00
Car/travelling allowance	145,689.50	60,096.75	109,267.00	60,096.75	60,096.75	109,267.00	109,267.00	109,267.00	60,096.75
Phone allowance	1 496	990	1 496	990	990	1 496	1 496	1 496	990
Housing allowance	84,702.65	24,787.73	59,206.90	24,787.73	24,787.73	59,206.90	59,206.90	59,206.90	24,787.73
Loans & advances	-	-	-	-	-	-	-	-	-
Arrears owed	-	-	-	-	-	-	-	-	-
Other benefits & allowances	-	-	-	-	-	-	-	-	-

Pension and medical aids to whom employees belong:

Names of pension fund	Number of members	Names of medical Aids	Number of members
Municipal Employees Pension Fund	81	SAMWU Medical Aid	34
Municipal Councillors Pension Fund	36	LA Health	30
SAMWU Provident Fund	46	Bonitas	27
		Key Health	09
		Hosmed	02

1.4 Human Resource Development

The human resources function serves as a support function to the municipality and its primary objectives include amongst others things include the following:

- Management of employees conditions of service in terms of the relevant collective agreement and policies.
- Design and implement an organizational structure align to the municipality power's and function and the IDP
- Facilitate training and development of personnel including councilors
- Maintenance of Human resources environment that is conducive to and promote culture of stability and harmony
- Implementation of Job Evaluation system

During the year under review the municipal manager and his six section 57 managers have signed their performance agreement including the Assistant Managers aligned to the SDBIP of the municipality which were subsequently submitted to the institution as prescribed by relevant legislation

The municipality has recruitment and selection policy, approved organizational structure, prioritize vacancies training and development policy in accordance with approved work skills plan in place to address recruitment and retention of employees.

1.5 Performance Management System

Umzimvubu Local Municipality adopted Framework and Policy for implementation of Performance Management System as prescribed by Municipal Finance Management Act, Municipal Systems Act 32 of 2000 and other relevant policies. The Performance Management System can be described as a primary mechanism to plan for performance management, monitor, review and improve the implementation of the municipality's IDP's. The implementation of the Performance Management System is aimed at achieving the following objectives:

- Facilitate increased accountability
- Facilitate learning and development
- Provide early warning signals
- Facilitate decision – making

The system is currently being implemented, quarterly performance assessment and reviews are conducted for all contract employees including Section 57 Managers, Assistant Managers and all contract employees. Performance agreements were signed for 2010/2011 financial year and quarterly performance reports were compiled which later translated to the annual performance report for the year.

2.1 DELIVERY OF BASIC SERVICES AND INFRASTRUCTURE

Umzimvubu is currently characterised by acute backlogs in infrastructure and services provision especially electricity, water, sanitation, housing, road infrastructure, as well as Local Economic Development initiatives.

2.1.1 Roads

The provision and maintenance of roads is the shared responsibility between of the Provincial Department of Roads and Transport, the district municipality as well as Umzimvubu local municipality. The total budgeted for roads was R53 314 223.54 million for the financial year under review and total of 86,29 km access roads, 12km surfaced roads and 13 bridges have been constructed.

Umzimvubu municipality is mainly responsible for the maintenance of access roads and budget of R4 000 000.00 million has been allocated for maintenance of 70 Km access roads during 2010/2011.

The main challenges affecting the municipality are the poor condition of roads due to the fact that Umzimvubu is a rural area and there is less focus on road design;

- Heavy rains also contribute of the deterioration of roads
- Poorly designed bridges are also a challenge

As a remedial action, the municipality currently has plans to:

- Develop a storm water / pavement management system;
- Develop a road maintenance plan;
- Construction of new roads;
- Resurfacing of streets.
- Repairs to the N2 within Umzimvubu's area of jurisdiction. (DoT)

Key performance indicator on road maintenance:

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	2250	2250	2250	2098	93.2%
2	Percentage of road infrastructure requiring upgrade	8000	8000	6500	6500	100%
4	Percentage of planned new road infrastructure actually constructed	2250	2250	2250	2098	93.2%
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	2250	2250	2250	2098	93%

2.1.2 Electricity

Electricity in the municipal area is currently provided by ESKOM. The Municipality is involved in project planning and the provision of free basic electricity.

Only 25% of the population has access to electricity with an estimated 75% in backlogs. The electricity supply is very weak and is mainly single phase for most households. Most households are dependent on alternative sources of energy.

The electricity backlogs of 75% should be addressed through planning for upgrade of existing power station. The Municipality has also prioritised to solicit additional funding to address backlogs and expedite the provision of universal energy in rural areas by 2012.

Project Name	Category	Number of House Holds	Budget	Funder
Machamsholo Hlane Qumrha	Electrification	605h/h	R20m	Department of Energy/Eskom
Mvuzi phase 2(Mhlokwana & Zwelitsha)	Electrification	536h/h		
Qunubeni, Qoqa, Bislan & Zibokwana	Electrification	1006h/h		
Njijini- Buffaloneck & Mjikelweni, Ngwetsheni , Goxe , Makolonini	Electrification	549h/h		
Makaula03&04(Gubhuzi, Thwa, Malongwe, Maphandi,Ntenetyane,Godola, luqolweni,Bhethany,Lonci, Mgodl, Sihlaheni, Sinyaqa, Ngcozana & Mpola)	Electrification	1107h/h		
Infills at Mombeni	Electrification	230h/h		
Marhwaqa	Electrification	100h/h		
Rode	Electrification	107h/h		

During the 2010-2011 financial year, the municipality managed to connect 4250 households as detailed in the table below:

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	45000	35139	3404	4250	125%
2	Percentage of indigent households with access to basic electricity services	11183	1000	1183	1183	10,58%
4	Percentage of indigent households with access to free alternative energy sources	15 000	10 000	5000	5000	33%

2.1.3 Waste Management

Umzimvubu Municipality is responsible for waste management in their own area of jurisdiction. The municipality collects household refuse from the two urban areas on a weekly basis but provides no services to the rural areas. This results in the households disposing of their own refuse, which could be challenged in terms of the environmental regulations.

At present the municipality collects an estimated 11% of the waste disposal (Communal Dump, Municipality). The remaining 89% is either through dumping by community members or own disposal by business community. The waste disposal site in Mount Frere is currently operating at full capacity and the proposed site in Mount Ayliff is awaiting authorisation from Department of Environmental Affairs.

In an attempt to address the backlogs the municipality should prioritise:

- Identification of new site at Mt. Frere;
- Embark on process to obtain a closure permit for existing site at Mount Frere;
- Finalise and implement a local Integrated Waste Management Plan
- Obtain the license to operate the dumping site in Mt. Ayliff

During the year under review the municipality has engaged itself in lot of activities which included the following; Education and Communication, By- Law Enforcement, Waste Information System, Domestic Waste Collection and Land Fill Site Management.

On waste collection Umzimvubu has plants, equipment, tools, facilities, man power, waste collection crew and operations systems to ensure effective and efficient domestic waste collection service. During this period ULM was able to install 85 waste side bins for temporarily storage of waste and to cap littering. Other activities included the following kerb collection

services, street sweeping, litter picking and workers are operating on their schedules and adhere to waste collection map. Business waste is collected on daily basis and on residential sites waste is collected once a week.

ULM works under a licensed land fill site which was a great achievement during the financial year of review and has appointed a service provider for the supply and installations of WIS that will assist the municipality to capture routine data on tonnages of waste generated, recycled and disposed on monthly and annual basis

There are wide ranges of recycling initiatives that took place during the year under review in relation to waste minimization. To the year end 4 permits have been issued in an attempt to promote sustainable waste minimization programs and to regulate salvaging on land fill sites. Scavenging is only permitted at both sites from 16: 30 daily after operations on site have ceases for the health and safety purposes. Waste by back center has been developed and is in operation indicating that some amounts of money are generated per month. We have entered in services level agreement with 3 cooperatives running the centre so as to be able ascertain the waste stream recycled in terms of waste volumes, type and money generated in the process so as to enable to plan, report and enhance programme.

The table below provides summary on refuse removal:

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	1955	N/A	1955	1955	100%

2.1.4 Social Amenities

a) Community Halls

There are approximately 24 halls existing in the area. However these halls are not equally shared amongst the 24 administrative boundaries. At least 7 wards do not have halls and some wards have more than one hall. There are multi-purpose halls which the municipality is letting to communities and collects revenue.

b) Sports Fields

Both towns of Mount Frere and Mount Ayliff do have an existing under-developed sport fields that caters for soccer sport code. The municipality is upgrading the existing facilities and the existing facilities cater for school and local community events. There are no proper sports fields in some rural areas.

c) Libraries

The municipal area does not have a library service to support the school going and the wider community. However the Umzimvubu Municipality is currently running the function with the assistance Coega Development Agency to develop a Library in Mount Frere town.

2.1.5 Spatial Development Framework and Land Use Management System

The development of the abovementioned plans has been successfully completed under the auspices of Infrastructure Planning and development and we are currently looking forward to the development of local SDF and the relevant regulations. The framework enshrines the spatial development areas including, Mount Frere Urban Area, Mount Ayliff Urban Area, Rural Settlement Areas as well as identified corridors. Below is a set of plans approved in the urban component of the municipality:

Zoning and Building plans

Applications Outstanding 01 July 2010	Category	Number of new applications received	Total value of applications received in Rand	Applications outstanding 30 June 2011
None	Sub-division	2	None	None
None	Rezoning	1	None	None

2.1.6 Development of Human settlements

As per the adopted Human Settlements Plan, the municipality is currently implementing a number of rural housing projects in its area of jurisdiction and the challenge is the pace at which these projects are implemented and the resolution blockages by various stakeholders.

Key performance indicators in housing and town planning services:

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	37000	37000	2000	700	35%
2	Percentage of informal settlements that have been provided with basic services	37000	37000	2000	700	35%
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	8000	0	1041	1041	100%

The table below illustrates the service delivery backlogs:

Backlog	01 July 2010- 30 June 2011		
	Required	Budget	Actual
Roads Backlogs			
Backlogs to be eliminated (No. KM's not providing minimum standard of service)	249.29 km	R53 314 223.54 million	86,29 km access road and 12km surfaced roads & 13 bridges
Backlogs to be eliminated (Percentage – KM's identified as backlogs / total KM's)			
Spending on New infrastructure to eliminate backlogs (Rand '000)			
Spending on renewal of existing infrastructure to eliminate backlogs (Rand '000)	37km		
Total spending to eliminate backlogs (Rand '000)			
Spending on maintenance to ensure no new backlogs created.		4 million	70km
Electricity Backlogs			
Backlogs to be eliminated (No. Households not receiving minimum standards of service)	35 139h/h	R80.68 million	4250h/h plus two Sub Stations as well as 75km bulk line
Backlogs to be eliminated (Percentage – HH identified as backlogs / total HH)	30889		
Spending on new infrastructure to eliminate backlogs (Rand '000)		R60.8m	two Sub Stations as well as 75km bulk line
Spending on renewal of existing infrastructure to eliminate backlogs (Rand '000)			
Total spending to eliminate backlogs (Rand '000)			
Spending on maintenance to ensure no new backlogs created.		R700 000	
Refuse removal Backlogs			
Backlogs to be eliminated (No. Households not receiving minimum standards of service)	1000	1080000.00	1156000.00
Backlogs to be eliminated (Percentage – HH identified as backlogs / total HH)	2.1%		
Spending on new infrastructure to eliminate backlogs (Rand '000)	400 000	2780 000.00	1156000.00
Spending on renewal of existing infrastructure to eliminate backlogs (Rand '000)	482 000	500 000	482 000
Total spending to eliminate backlogs (Rand '000)			1638000.00

3. MUNICIPAL LED FRAMEWORK IMPLEMENTATION

3.1 Brief presentation of LED Strategy and Plan

Umzimvubu has adopted a LED strategy to guide local economic development in the Municipal area. Local economic development and has also been effectively institutionalised and a number of programmes implemented including;

- Support Systems
- SMME Development
- Second Economy
- Decentralisation of Services
- Forward Planning

The Alfred Nzo District Municipality has established the Alfred Nzo Development Agency (ANDA) which is responsible for the implementation of local economic projects in the District in co-operation with the Local municipalities. ANDA is a municipal entity established in terms of the Municipal Systems Act and is accountable to the District Municipality. Thina Sinako, the Provincial LED agency, has awarded grants to LED and municipal infrastructure development projects in the Alfred Nzo District which has the potential to benefit Umzimvubu.

3.2 Progress towards achieving the Key LED objectives

The following programmes have been implemented through the Alfred Nzo Development Agency;

- Agricultural projects including;
 - Grain production Programme (ASGISA)
 - Livestock and poultry production programmes
 - Vegetable production programmes
- Tourism Development programmes including;
 - Msukeni Enterprise
 - Ntsizwa Venyane Hiking Trails
- Goxe Cut flowers
- Wood cluster
- Goosedown project
- SMME development
- Small scale mining

The following activities provide progress made on implementation of LED Strategy:

1. Building of SMME hawker stalls in Ward 18 to the value of R745 000,30 people got jobs during construction
2. Fencing of trading facility in Ward 07 to the value of R365 000,15 people got jobs during construction
3. Feasibility study of Peach Value Addition and development of business plan to the value of R300 000,this project will be implemented in Ward 01 ,Brooksnek however ward 2,3,4,11,14,15,19,20,22,23,24 and 26 will be feeding peaches to the processing site in Ward 01.About 60 people were trained and taken to similar processing plant.
4. Feasibility study of Pole and development of business plans to the value of R300 000, the project will be implemented in Ward 20 ,ward 1,15,22,23,13 and 24 will be feeding raw material to Ward 20 .About 40 people were trained and taken for exposure visit to similar projects
5. Investment plan has been developed and adopted by the Council, the purpose is to attract potential investors and to guide the municipality on key development areas. In an attempt to implement investment plan Memorandum of Understanding was signed between ECATU and the municipality in providing of solar system to the needy areas hence Ward 11 in Ngwekazana village was a starting point.
6. Business retention and expansion strategy. During research 10 unemployed youth were hired.10 new businesses have been opened, to mention few Ackermans, Nedbank, Jet, Shoprite and Spar in Mt Ayliff, Spargs extended their business. This has been implemented through business seminars that we are convened on a quarterly basis
7. Bankable business plan on Forestry sector plan developed, the plan is a tool of implementing forestry initiative and for lobby more funding .Forestry Indaba was held with success
8. Tourism dvd and 500 brochures were developed and launched during September 2011,the rationale behind developing the DVD is to market ULM as a preferred tourist destination and 15 Accommodation facilities were graded by Tourism Grading Council
9. Fencing of 13 wards, Ward 17,14,13,11,15,22,8,21,20,19,23,03,01. In each ward 30 people were employed. In total 320 jobs were created through EPWP. The total project costed R2,3 million. Women were at 50 %,35 % youth and 2 % disability
10. . 250 SMME's capacitated in filling of tender documents , CIDB and on business and financial management

3.3 Creation of Market and Public confidence

This programme which was introduced to end in 2010 aimed at fighting poverty, under-development and emphasizing the integration of planning services. The Alfred Ndzo District Municipality is a presidential node and Umzimvubu river valley development has been identified as one anchor project under the programme.

3.4 Comparative and competitive advantage for industrial activities

3.5 Enterprise development

The area has potential for the development of cooperatives and SMME's which afford the rural poor an opportunity to participate in economic activities. Access to micro-credit remains a big challenge to cooperatives and SMMEs, but there are also a number of agencies that offer support to new and established SMME's including;

- The Department of Trade & Industry (DTI); The Black Business Supplier Development Programme (BBSDP) 80:20 cost-sharing grant, offers support to black-owned enterprises in South Africa. DTI also offers a wide range of products and services comprising loans, and incentive grants that enable access to finance for small enterprises.
- The Small Enterprise Development Agency (SEDA) which aims to support and promote co-operative enterprises, particularly those located in rural areas.
- South African Micro-Finance Apex Fund (SAMAF)
- Khula Enterprise Finance Limited
- Thuso Mentorship Scheme
- The National Empowerment Fund (NEF) which offers start-up, business growth, and rural- and community upliftment financing products
- The Industrial Development Corporation (IDC) which provides sector focused financing products ranging from R1 million upwards

3.6 Social investment programme

The municipality is also responsible of developing and maintaining recreational parks and maintenance as well as development or review of by-laws and policies. During the year under-review the municipality development a new cemeteries, Sport field, parks, public open spaces and maintenance of Mount Ayliff Taxi Rank, Libraries, Museums

3.7 Challenges regarding LED strategy implementation

Umzimvubu Municipality is rural and therefore has low economic base characterised by dominance of informal economy. The municipality has programmes implemented on agriculture, forestry, retail, forestry, tourism as well as providing support to SMME's. The municipality facilitate collaboration between its SMME's and potential funders and provides training various business ventures. The Department of Agriculture has also been visible in implementing its programmes with the municipality being the coordinator and these programmes include; CASP, Land Care, Massive/Siyakhula, Siyazondla, Letsima with allocated budgets of more than R20 million.

4. AUDITED STATEMENTS AND OTHER FINACIAL INFORMATION

4.1 The audited financial statements

ANNUAL FINANCIAL STATEMENTS

30 June 2011

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2011

Mayor	Speaker	Chief Whip
KS Pangwa	ZO Sisilana	NMbele
Members	Portfolio	
MVNkqayi	Infrastructure and Planning	
VABulana	Community Services	
LTQasha	Corporate Services	
ZNdevu	Budget and Treasury	
ENNgalonkulu- Lebelo	Communications and SPU	
NMpumlwana	Local Economic Development	
NNkula	Exco Member	
PKThingathinga	Exco Member	

AUDITORS

Auditor-General East London Eastern Cape

BANKERS

First National Bank
Mount Frere

REGISTERED OFFICE

Erf 813 Main Street
Mount Frere

Private Bag X9020
Mount Frere
5090

Tel: (039) 255 0166
Fax: (039) 255 0167

Webpage: www.umzimvubu.gov.za

MUNICIPAL MANAGER

Mr. G.P.T. Nota

CHIEF FINANCIAL OFFICER

Mr. M. Hloba

GENERAL INFORMATION(continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

OBJECTIVES

The municipality strives, within its financial and administrative capacity, to achieve the following objects:

to provide democratic and accountable government for local communities
to ensure the provision of services to communities in a sustainable manner to promote social and economic development
to promote a safe and healthy environment
to encourage the involvement of communities and community organisations in the matters of local government

GRADING

Grade 3

JURISDICTION

Greater Umzimvubu area which includes: Mount Frere, Mount Ayliff
and
various rural areas

2010/11

MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY
COUNCILLORS

WARD

- 1 MMabhanya
- 2 ALMwezula
- 3 MVNkqayi
- 4 MMMpepanduku
- 5 MMPakumpaku
- 6 AZGwebani
- 7 NMMlenzana
- 8 MJojo
- 9 ZJMendu
- 10 VNYangane
- 11 NNGogela
- 12 ZBMtebele
- 13 CTNdawo
- 14 BMAZililo
- 15 NSonyabashi
- 16 SANCekeshe
- 17 SMankanku
- 18 NTXezu
- 19 NJijana
- 20 VNgobaza
- 21 FNNgonyolo
- 22 CMNgalonkulu
- 23 BTNgqasa
- 24 MHKwekwile
- 25 NASobahle
- 26 NPNdabeni
- 27 SNogcantsi

PROPORTIONAL

- NNkula
- ELSithuba
- ENNGalonkulu-Lebelo
- NMpumlwana
- NEPakkies
- TMabindisa
- MMataka
- NGoqa
- NBoyce
- NOGodlo
- LTQasha
- BMngweba
- NPMlandu
- UNMakanda
- PKThingathinga
- TAMambi
- FNTwakumba
- ZOSisilana
- NMbele
- KSPhangwa
- NNGcadinja
- VABulana
- NMpanda
- SKMnukwa
- Z Ndevu
- BRipa
- NAMatshongo

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 88 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. G.P.T. Nota

Municipal Manager

Date

[These Financial Statements have been audited -Awaiting Report]

UMZIMVUBULOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

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

2 KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2010/11	2009/10
Surplus/(Deficit) before Appropriations	14257525	4819665
Surplus/(Deficit) at the end of the Year	233575360	219317835
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	22.67%	24.62%
Remuneration of Councillors	8.15%	9.43%
Impairment Losses	6.59%	7.80%
Repairs and Maintenance	3.74%	7.66%
Interest Paid	0.45%	1.10%
General Expenses	25.86%	28.46%
Current Ratio:		
Creditors Days	37	56
Debtors Days	342	115

The Surplus/(Deficit) before Appropriations and the Surplus/(Deficit) at the end of the Year 2009/10 was restated because of previous years adjustments. Please refer to Correction of Error notes 29.1 and 29.2 to 29.5 for details.

Because of the adjustments the Ratio's above for 2009/10 financial year was also recalculated/stated.

3 OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Note 55.

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income:					
Opening surplus/(deficit)	219317835	330862714	(33.71)%	-	- (23.75)%
Operating income for the year	154081972	103605735	48.72%	202086295	-
Appropriations for the year		19827488		-	
	373399807	454295938	(17.81)%	202086295	84.77%
Expenditure:					
Operating expenditure for the year	139824447	98786070	41.54%	103771215	34.74%
Sundry transfers		136192033	(100.00)%	-	-
Closing surplus/(deficit)	233575359	219317835	6.50%	98315080	-
	373399807	454295938	(17.81)%	202086295	84.77%

The figures for the 2009/10 financial year was restated due to Correction of Errors as per note 29 to the financial statements and also to be in line with the Statement of Changes in Net Assets.

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality. The main income sources are Assessment Rates, Refuse Disposal and Sundry Fees levied.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	154081972	103605735	48.72%	202086295	(23.75)%
Expenditure	139824447	98786070	41.54%	103771215	34.74%
Surplus/(Deficit)	14257525	4819665	195.82%	98315080	-
Surplus/(Deficit) as % of total income	9.25%	4.65%		48.65%	

The Income and the Expenditure was restated because of previous years adjustments. Please refer to Correction of Error notes 29.2 to 29.5 for details.

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (solid waste/refuse). Income is mainly generated from the levying of fees and tariffs determined by the council.

This service currently falls under the Community Services cost centre which are also responsible for various other functions. This makes it not possible to report on the service as an economic unit.

4 FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R67264757 (2009/10: R31589155). Full details of Property, Plant and Equipment are disclosed in Note 7 and Notes 51 to 54 to the Annual Financial Statements.

The capital expenditure of R67264757 was financed as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Grants and Subsidies	67264757	31589155	112.94%	98315080	(31.58)%
	67264757	31589155	112.94%	98315080	(31.58)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010/11	2009/10
Grants and Subsidies	100.00%	100.00%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5 RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2010/11	2009/10
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	98315 080	58 764 801
Revenue variances	(48004323)	(20924595)
Expenditure variances:		
Employee Related Costs	14242 238	4407264
Remuneration of Councillors	(1161748)	3019655
Bad debts	365 000	37 500
Depreciation and Amortisation	(22821162)	(18973767)
Repairs and Maintenance	(1874765)	(5 535 473)
Interest Paid	(634248)	(1 087 742)
General Expenses	(1380921)	(5 678624)
Government Grants (Operational)	(13189071)	(1502338)
Loss on disposal of Property, Plant and Equipment	(382561)	-
Actual surplus before appropriations	14257525	4819665

DETAILS	2010/11	2009/10
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	98315080	58764801
Executive and Council Finance and Administration Planning and Development Community and Social Services	4345 881 (47490370) (39950257) (962810)	3144 522 (35447019) (26356760) 4714122
Actual surplus before appropriations	14257525	4819665
	(0)	

Details of the operating results per segmental classification of expenditure are included in Note 55, whilst operational results per category of expenditure, together with a short explanation of significant variances of more than 10% from budget, are included in Note 48 to the financial statements.

5.2 Capital Budget:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Variance actual 2010/11/2009/10 R	Budgeted 2010/11 R	Variance actual/ budgeted R
Executive and Council Finance and Administration Planning and Development Community and Social Services Sport and Recreation Environmental Protection Roads and Transport	- 458437 4317306 3638890 - -	- 2814724 385163 286605 192446 241174	- (2356287) 3932143 3352 286 (192446) (241174)	555000 3474513 90927472 3358095 - -	(555 000) (3016076) (86610166) 280795 - -
	58328435	27669044	30659391	-	58328435
	67264757	31589155	35675603	98315080	(31050323)
	-	-			

Details of the results per segmental classification of capital expenditure are included in Note 51, together with a short explanation of significant variances of more than 10% from budget, are included in Note 49 to the financial statements.

6 ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2011 amounted to R233575360 (30 June 2010: R4819665) and is made up as follows:

Capital Replacement Reserve (CRR)	5014475
Government Grants Reserve	195396057
Accumulated Surplus/(Deficit) due to the results of Operations	33164828
	233575360

7 NON-CURRENT PROVISIONS

Non-current Provisions amounted to R4480969 as at 30 June 2011 (30 June 2010: R4194511) and is made up as follows:

Provision for Long-term Service	424880
Provision for Rehabilitation of Land-fill Sites	4056089
	4480969

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 14 for more detail.

8 CURRENT LIABILITIES

Current Liabilities amounted to R16330069 as at 30 June 2011 (30 June 2010: R25149938) and is made up as follows:

Creditors	Note 10	14022074
Unspent Conditional Grants and Receipts	Note 11	2016582
		16330069

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

9 PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R188512395 as at 30 June 2011 (30 June 2010: R145181074).

Refer to Note 7 and Notes 51 to 54 for more detail.

10 INTANGIBLE ASSETS

The net value of Intangible Assets were R298057 as at 30 June 2011 (30 June 2010: R218071).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 for more detail.

11 CURRENT ASSETS

Current Assets amounted to R52545426 as at 30 June 2011 (30 June 2010: R88977139) and is made up as follows:

Inventory	Note 2	354278
Consumer Debtors	Note 3	7705205
Other Debtors	Note 4	14645891
Bank Balances and Cash	Note 5	29624537
Operating Lease Assets	Note 6	215515
		52545426

Refer to the indicated Notes for more detail.

12 INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other governments for its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 11 and 20, and Note 56 for more detail.

13 EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

14 EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thank to all staff in the Budget and Treasury Department, for without their assistancetheseAnnualFinancialStatementswouldnothavebeenpossible.

CHIEF FINANCIAL OFFICER

UMZIMVUBULOCALMUNICIPALITY
STATEMENTOFFINANCIALPOSITIONAT30JUNE2011

	Note	2011	2010
		R	<i>Restated</i> R
ASSETS			
CurrentAssets		52545426	88977139
Inventory	2	354278	338465
TradeReceivablesfromExchangeTransactions	3	7705205	3533505
TradeReceivablesfromNon-ExchangeTransactions	4	14645891	4147168
CashandCashEquivalents	5	29624537	80699141
OperatingLeaseAssets	6	215515	258860
Non-CurrentAssets		203096452	159685145
Property,PlantandEquipment	7	188512395	145181074
IntangibleAssets	8	298057	218071
InvestmentProperty	9	14286000	14286000
TotalAssets		255641878	248662284
LIABILITIES			
CurrentLiabilities		16330069	25149938
Creditors	10	14022074	15239431
UnspentConditionalGrantsandReceipts	11	2016582	9910507
CurrentPortionofLong-termLiabilities	13	291413	-
Non-CurrentLiabilities		5736448	4194511
Long-termLiabilities	13	1255479	-
Non-currentProvisions	14	4480969	4194511
TotalLiabilities		22066517	29344449
TotalAssetsandLiabilities		233575360	219317835
NETASSETS		233575360	219317835
AccumulatedSurplus/(Deficit)	15	233575360	219317835
TotalNetAssets		233575360	219317835

UMZIMVUBULOCALMUNICIPALITY
STATEMENTOFFINANCIALPERFORMANCEFORTHEYEARENDED30JUNE2011

Note	Actual		Budget	
	2011	2010 <i>Restated</i>	2011	
R		R	R	
REVENUE				
RevenuefromNon-exchange Transactions				
Property Rates	16	6453386	10022451	8160000
Fines		464511	144257	400000
Licencesand Permits		6502	32218	2767000
Income for Agency Services		3502369	4547792	3044427
GovernmentGrantsand SubsidiesReceived	20	135120145	79372775	133259130
RevenuefromExchange Transactions				
ServiceCharges	18	1781184	1231001	1300000
RentalofFacilitiesand Equipment	19	980768	1216894	1064974
InterestEarned- External Investments	17	3362168	4388311	5000000
InterestEarned- Outstanding Debtors	17	984073	1362454	-
Other Income	21	1082744	1287582	46290764
GainsonDisposalofProperty,Plantand Equipment		-	-	500000
Profiton SaleofLand:-		344123	-	300000
TotalRevenue		154081972	103605735	202086295
EXPENDITURE				
EmployeeRelatedCosts	22	31699079	24316814	45941317
Remuneration of Councillors	23	11389093	9315600	10227345
BadDebts		-	-	365000
Depreciation and Amortisation	24	23294148	19173767	472986
ImpairmentLosses	25	9215993	7707016	-
RepairsandMaintenance		5234029	7568626	3359264
FinanceCosts	26	634248	1087742	-
General Expenses	27	36154323	28114168	34773402
GovernmentGrants(Conditional)	27.1	21820972	1502338	8631901
LossonDisposalofProperty,Plantand Equipment		382561	-	-
TotalExpenditure		139824447	98786070	103771215
SURPLUS/(DEFICIT) FOR THEYEAR		14257525	4819665	98315080
RefertoNote48forexplanationofbudget variances				

UMZIMVUBULOCALMUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Description	Accumulated Surplus
	R
2010	
Balance at 30 June 2009	330862 714
Change in Accounting Policy (Note 28)	(122431428)
Correction of Error (Note 29)	6397904
Restated Balance	214829190
Surplus/(Deficit) for the year	24647153
Balance at 30 June 2010	239476343
2011	
Change in Accounting Policy (Note 28)	(19173767) (984742)
Correction of Error (Note 29)	
Restated Balance	219317834
Surplus/(Deficit) for the year	14257525
Balance at 30 June 2011	233575359

UMZIMVUBULOCALMUNICIPALITY
CASHFLOWSTATEMENTFORTHEYEARENDED30JUNE2011

R	Note	2011	2010 R
CASHFLOWSFROMOPERATINGACTIVITIES			
CashreceiptsfromRatepayers,GovernmentandOther		117993829	99048005
CashpaidtoSuppliersandEmployees		(107626768)	(56786640)
Cashgeneratedfrom/(utilisedin)Operations	30	10367061	42261366
Interestreceived	17	4346241	4388311
Interestpaid	26	(634248)	(1087742)
NETCASHFLOWSFROM/(USEDIN)OPERATINGACTIVITIES		14079054	45561934
CASHFLOWSFROMINVESTINGACTIVITIES			
PurchaseofProperty,PlantandEquipment	7	(67264757)	(31589155)
PurchaseofIntangibleAssets	8	(231122)	
ProceedsonDisposalofProperty,PlantandEquipment		751985	
(Increase)/decreaseinLong-termReceivables	6	43345	(37651)
NETCASHFLOWSFROM/(USEDIN)INVESTINGACTIVITIES		(66700549)	(31626805)
CASHFLOWSFROMFINANCINGACTIVITIES			
NewLoansraised	13	1833729	-
Loansrepaid		(286837)	-
NETCASHFLOWSFROM/(USEDIN)FINANCINGACTIVITIES		1546892	-
NETINCREASE/(DECREASE)INCASHANDCASHEQUIVALENTS	5	(51074604)	13935129
CashandCashEquivalentsatthebeginningoftheyear		80699141	66764012
CashandCashEquivalentsattheendoftheyear		29624537	80699141
ThefiguresforReceipts,Payments,CashandCashEquivalentsBalanceatthebeginningandendfor2009/10wasrestated.See CorrectionofErrorNote29.8ReclassificationofCashFlowStatement:			

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R 2010
R

1 GENERAL INFORMATION

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2 INVENTORY

Stationery at cost	354278	338465
Total Inventory	354278	338465

Stationery are held for own use with the result that no writedowns of Inventory to Net Realisable Value were required.

Inventory in respect of Vacant properties at cost were restated due to a land claim hanging over these properties and because it is also listed in the Assets Register at a nominal value of R1 each.

3 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	6356765	6194318	162447
Refuse	6356765	6194318	162447
VAT Claim	7271161	-	7271161
Landsales	271596	-	271596
Total Trade Receivables from Exchange Transactions	13899522	6194318	7705205
As at 30 June 2010			
Service Debtors:	4676310	3626829	1049480
Refuse	4676310	3626829	1049480
VAT Claim	2143507	-	2143507
Other Debtors	340518	-	340518
Total Trade Receivables from Exchange Transactions	7160334	3626829	3533505

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

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio of the municipality's Consumer Debtors.

3.1 Trade Receivables from Exchange Transactions

Refuse: Ageing

Current:

0-30 days	161650	114723
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Past Due:

31-60 Days	159047	112091
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61-90 Days	158086	113830
------------	--------	--------

91-120 Days	155327	113389
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+120 Days	5722654	4222346
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Total	6356765	4676380
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UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Other Debtors: Ageing		
<u>Current:</u>		
0-30 days	-	-
<u>Past Due:</u>		
31-60 Days	50890	-
61-90 Days	37482	-
91-120 Days	31195	-
+120 Days	152029	-
Total	271596	-

All Trade Receivables from Exchange Transactions - Ageing

<u>Current:</u>		
0-30 days	161650	114723
<u>Past Due:</u>		
31-60 Days	209938	112091
61-90 Days	195568	113830
91-120 Days	186522	113389
+120 Days	5874683	4222346
Total	6628361	4676380

As at 30 June 2011 Trade Receivables from Exchange Transactions of R6466711 (30 June 2010: R4561656) were past due date but not impaired. The age analysis of these debtors are as follows:

31-60 Days	209938	112091
61-90 Days	195568	113830
+90 Days	186522	113389
+120 Days	5874683	4222346
Total	6466711	4561656

3.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Industrial/ Household Commercial R	R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0-30 days	102291	35987	11250	12122
<u>Past Due:</u>				
31-60 Days	101277	35198	10731	62733
61-90 Days	100778	34934	10531	49325
+90 Days	100230	33017	10329	42946
+120 Days	4260935	1035519	164875	413354
Sub-total	4665511	1174655	207715	580480
Less: Provision for Impairment	4567786	1138562	181956	306013
Total Debtors by Customer Classification	97725	36093	25759	274467

As at 30 June 2010

<u>Current:</u>				
0-30 days	92933	10325	4838	6628
<u>Past Due:</u>				
31-60 Days	90449	10258	4756	6628
61-90 Days	92298	10192	4712	6628
+90 Days	91932	10125	4704	6628
+120 Days	3199517	788354	90556	143919
Sub-total	3567129	829254	109566	170431
Less: Provision for Impairment	2832909	658569	-	135351
Total Debtors by Customer Classification	734220	170685	109566	35080

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
	2011 R	2010 R
Balance at beginning of year	3626829	-
Impairment Losses recognised	2567488	-
Balance at end of year	6194318	3626829

The Provision for Impairment were restated for the previous year due to the total Provision for Impairment being disclosed under Trade Receivables from Non-Exchange Transactions. See Correction of Error Note for details.

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtor has been made for all consumer balances outstanding based on the payment ratio over 12 months. No further credit provision is required in excess of the Provision for Impairment.

3.4 Ageing of impaired Consumer Debtors

0-30 Days	148011	87268
Past Due:		
31-60 Days	147313	85243
61-90 Days	147180	86658
91-120 Days	146905	86314
+120 Days	5604909	3281347
Long-term Loan Debtors	-	-
Total	6194318	3626829

4 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	21944642	18135751
Payments made in Advance	47401	2586
Government Subsidy Claims	13144913	-
Sundry Debtors	41158	32310
	35178114	18170647
Less: Provision for Impairment	(20532224)	(14023479)
Total Trade Receivables from Non-Exchange Transactions	14645891	4147168

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtor has been made for all consumer balances outstanding based on the payment ratio over 12 months. No further credit provision is required in excess of the Provision for Impairment.

Assessment Rates, Projects, Sundry Deposits and Sundry Debtors for 2009/10 were restated as Council approved the writing off of certain amounts. See Correction of Error Note: 29.7 Reclassification of Statement of Financial Position: 30 June 2010 for details.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

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

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4.1 Reconciliation of Provision for Impairment		
Balance at beginning of year	14023478	9943292
Impairment Losses recognised	6508745	7707016
Impairment Losses reversed	-	(3626829)
Balance at end of year	20532224	14023478

The amount for Assessment Rates had been restated due to a difference in the billings system and the ledger control at 30 June 2010 which was still the difference at 30 June 2011.

The Provision for Impairment were restated for the previous year due to a "Time value of Money" calculation by the Auditor General and the relevant amount in respect of Trade Receivables from Exchange Transactions being transferred to the relevant section.

See Correction of Error Note 29.7 Reclassification of Statement of Financial Position: 30 June 2010 for details.

4.2 Ageing of trade receivables from non-exchange transactions

Assessment Rates: Ageing

Current:

0-30 days	465207	678458
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Past Due:

31-60 Days	446783	633879
------------	--------	--------

61-90 Days	442762	631594
------------	--------	--------

91-120 Days	438288	624818
-------------	--------	--------

+120 Days	20151602	15567002
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Total	21944642	18135751
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Summary of Assessment Rates Debtors by Customer Classification

	Industrial/ Household Commercial R	R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0-30 days	175842	247683	17212	24471
<u>Past Due:</u>				
31-60 Days	173181	239726	17212	16663
61-90 Days	170547	238345	17212	16658
+90 Days	168559	236557	17004	16167
+120 Days	8144493	7700716	3195256	1111137
Sub-total	8832621	8663028	3263897	1185097
Less: Provision for Impairment	8424072	8441373	2559779	1107000
Total Debtors by Customer Classification	408549	221655	704118	78097

As at 30 June 2010

Current:

0-30 days	276217	339751	41339	35998
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Past Due:

31-60 Days	250729	335317	25208	35970
------------	--------	--------	-------	-------

61-90 Days	247822	335027	25208	35970
------------	--------	--------	-------	-------

+90 Days	243828	332054	25208	35970
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+120 Days	6413612	5713719	2594462	792341
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Sub-total	7432209	7055868	2711425	936249
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Less: Provision for Impairment	6757211	6415049	-	851218
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Total Debtors by Customer Classification	674998	640819	2711425	85031
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No provision for bad debt has been made in respect of government debt as these amounts are considered to be fully recoverable.

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

	2011 R	2010 R
Ageing of impaired Rates Assessment Debtors		
0-30Days	403979	517795
<i>Past Due:</i>		
31-60Days	395609	483379
61-90Days	394976	480991
91-120Days	393840	475789
+120Days	18943819	12065524
Long-term Loan Debtors		
Total	20532224	14023478

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables has been made for all debtor balances outstanding based on the payment ratio over 12 months. No further credit provision is required in excess of the Provision for Impairment.

No provision for bad debt has been made in respect of government debt as these amounts are considered to be fully recoverable.

5 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	29624537	80699141
Bank Overdraft (Cashbook)	-	-
Total Cash and Cash Equivalents	29624537	80699141

5.1 Current Investment Deposits

Call Deposits	26356205	78300124
Total Current Investment Deposits	26356205	78300124

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.8% to 4.7% per annum.

The Municipality has the following bank accounts:

5.2 Bank Accounts

Primary Bank Account

Cash in Bank	3268333	2398779
Total Bank Accounts	3268333	2398779

The Municipality has the following bank accounts:

First National Bank - Main Street, Mount Frere - Current Account Number 62022 183727

Cashbook balance at beginning of year	2398779	2115584
Cashbook balance at end of year	3268333	2398779

Bank statement balance at beginning of year	2253455	2093331
Bank statement balance at end of year	2253455	2253455

The Municipality also has the following call deposit accounts for ring-fenced purposes as indicated

	26356205	78300124
--	-----------------	-----------------

Planning and Survey	First National	62164876842	560739	793674
Service Delivery Reserve	First National	62033254723	431817	25926735
Operational Investment	First National	62039450715	10671702	9712274
Municipal Support Program (MSP)	First National	62031898903	1916473	1837835
Drought Relief	First National	62086036160	388016	372110
Municipal Infrastructure Grant (MIG)	First National	62086036714	472077	26567556
Guarantee Investment	First National	62068742157	232289	226255

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

			2011 R	2010 R
CapitalReplacementReserve	FirstNational	62067998040	5228681	5014475
TestingCentre	FirstNational	62093411339	3211823	3077805
DedeaProjects	FirstNational	62245288411	2909383	4239592
OperationalInvestment	Standard	184750164	-	504396
OperationalInvestment	Standard	082118396	-	27417
FinancialManagementGrant(FMG)	FirstNational	62276187294	45101	
MunisipalSystemImprovementGrant	FirstNational	62276189018	31067	
OperationalInvestment	FirstNational	62288560925	257035	

The municipality did not make use of an overdraft facility during the 2010/11 financial year.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	-	238
Cash on hand in Cash Floats, Advances and Equivalents	-	238

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

6 OPERATING LEASE ASSETS/RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	258860	221209
Operating Lease receipts recorded	13796	37651
Operating Lease receipt effected	(57141)	-
Total Operating Lease Assets	215515	258860

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 29 on Correction of Error for details of restatement.

6.1 Leasing Arrangements

The Municipality as Lessor:

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Upto 1 year	868360	865988
2 to 5 years	379421	1200050
More than 5 years	107200	154931
Total Operating Lease Arrangements	1354982	2220969

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	38272515	43203266	55482331	17719	8205243	145181074
Cost	39430775	163241633	73417850	17719	10519303	286627280
- Completed Assets	39430775	163241633	73101309	17719	10519303	286310738
- Under Construction	-	-	316541	-	-	316541
Accumulated Depreciation:	(1158260)	(120038367)	(17935519)	-	(2314060)	(141446205)
- Cost	(1158260)	(120038367)	(17935519)	-	(2314060)	(141446205)
Acquisitions		28299613	769041		3098175	32166830
Capital under Construction - Additions	4205592	30892336	-	-	-	35097928
- Cost	4205592	30892336				35097928
Increases in Revaluation	-		-	-	-	-
Depreciation:	(1190321)	(16439028)	(2972820)	-	(2540842)	(23143012)
- Based on Cost	(1190321)	(16439028)	(2972820)	-	(2540842)	(23143012)
Carrying value of Disposals:	(63000)	-	-	-	(727424)	(790424)
- Cost	(63000)				(1421748)	(1484748)
- Accumulated Depreciation	-	-	-	-	694324	694324
- Based on Cost					694324	694324
Capital under Construction - Completed			(316541)			(316541)
Carrying values at 30 June 2011	41224786	85956186	53278552	17719	8035152	188512395
Cost	43573367	222433582	74186892	17719	12195731	352407290
- Completed Assets	39367775	191541246	74186892	17719	12195731	317309362
- Under Construction	4205592	30892336	-	-	-	35097928
Revaluation	-	-	-	-	-	-
Accumulated Depreciation:	(2348581)	(136477395)	(20908340)	-	(4160578)	(163894894)
- Cost	(2348581)	(136477395)	(20908340)	-	(4160578)	(163894894)

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	51234264	(81789104)	44468459	17719	6841679	20773017
Cost	28847318	131985814	74469708	17719	7861593	243182152
- Completed Assets	28847318	131985814	74469708	17719	7861593	243182152
Correction of error (Note 29)	11193473	(106887459)	(15000624)	-	(509957)	(111204567)
Revaluation	11193473					11193473
Accumulated Depreciation:	-	(106887459)	(15000624)	-	(509957)	(122398040)
- Cost	-	(106887459)	(15000624)	-	(509957)	(122398040)
Acquisitions	385163	27910218	162509		2814724	31272614
Capital under Construction - Additions	-	-	316541	-	-	316541
- Cost			316541			316541
Depreciation:	(1158260)	(13150908)	(2934895)	-	(1804103)	(19048165)
- Based on Cost	(1158260)	(13150908)	(2934895)	-	(1804103)	(19048165)
Transfers/Reclassification	(995179)	3345601	(1530908)	-	(157014)	662500
- Cost	(995179)	3345601	(1530908)	-	(157014)	662500
Carrying values at 30 June 2010	38272515	43203266	55482331	17719	8205243	145181074
Cost	39430775	163241633	73417850	17719	10519303	286627280
- Completed Assets	39430775	163241633	73101309	17719	10519303	286310738
- Under Construction	-	-	316541	-	-	316541
Revaluation		-(120038367)	-(17935519)	-	-(2314060)	-(141446205)
Accumulated Depreciation:	(1158260)	(120038367)	(17935519)	-	(2314060)	(141446205)
- Cost	(1158260)	(120038367)	(17935519)	-	(2314060)	(141446205)

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTSFORTHEYEARENDED30JUNE2011

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Property, plant and equipment in accordance with GRAP 17 for the financial years up to 30 June 2010.

The municipality has identified and measured all Property, plant and equipment in terms of GRAP 17 for the financial year ended 30 June 2011. The balances of the Property, plant and equipment have been retrospectively restated accordingly.

All infrastructure assets were evaluated as at 30 June 2011 using the depreciated replacement cost approach.

Refer to Notes 51 to 54 for more detail on Property, Plant and Equipment, including those in the course of construction.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R 2010
R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:

The municipality does not currently have any PPE in use which are fully depreciated.

7.2 Impairment of Property, Plant and Equipment:

During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. It was not necessary to impair any assets.

7.3 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality therefore reconsidered the useful life of all assets during the 2010/11 financial year. The useful life of the landfill sites were reduced in accordance with the actuarial assessment for the rehabilitation of the sites at 30 June 2011.

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses 298057 218071

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Servitudes Registered	Website Development	Total
Carrying values at 01 July 2010	218071	-	-	218071
Cost	377060	-	-	377060
Accumulated Amortisation	(158989)	-	-	(158989)
Acquisitions during the Year:	144722	-	86400	231122
Purchased	144722	-	86400	231122
Amortisation during the Year:	(151136)	-	-	(151136)
Affected	(151136)	-	-	(151136)
Carrying values at 30 June 2011	211657	-	86400	298057
Cost	521782	-	86400	608182
Accumulated Amortisation	(310126)	-	-	(310126)
Computer Software		Servitudes Registered	Website Development	Total
Carrying values at 01 July 2009	343673	-	-	343673
Cost	377060	-	-	377060
Accumulated Amortisation	(33388)	-	-	(33388)
Acquisitions during the Year:	-	-	-	-
Amortisation during the Year:	(125602)	-	-	(125602)
Affected	(125602)	-	-	(125602)
Carrying values at 30 June 2010	218071	-	-	218071
Cost	377060	-	-	377060
Accumulated Amortisation	(158989)	-	-	(158989)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Refer to Note 51 for more detail on Intangible Assets.

8.1 Intangible Assets with Indefinite Useful Lives:

The municipality amortises all its Intangible Assets and no such assets are regarded as having indefinite useful lives.

9 INVESTMENT PROPERTY

At Cost	14286000	14286000
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There was no movement in Investment Property during the financial year.

Carrying values at 1 July	14286000	14286000
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Cost	14286000	14286000
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Carrying values at 30 June	14286000	14286000
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Cost	14286000	14286000
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Estimated Fair Value of Investment Property at 30 June	14286000	14286000
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Note 51 for more detail on Investment Property.

9.1 Impairment of Investment Property:

The value of investment property equals the last municipal valuation which was based on a market related valuation.

Accordingly management feels that the fair value equals the properties recorded cost.

The investment property consists out of land only, it does not depreciate and there was no reason why it should have been impaired.

10 CREDITORS

Trade Creditors	11299097	13213653
Payments received in Advance (Debtors Billing)	481528	282706
Retentions	114725	-
Long Services Awards (Short term)	153914	102527
Sundry Deposits	34087	69000
Rental Deposits	22703	-
Other Creditors	0	7000
Accrued leave	1916021	1564545
Total Creditors	14022074	15239431

Creditor have been restated to correctly classify amount to be included in Trade Creditors. Unknown and erroneous accruals were written back. Refer to Correction of Error Note 29.7 Reclassification of Statement of Financial Position: 30 June 2010 for details.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

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

Staff Bonuses refer to the actuarial valuation of long services award to staff members in accordance with a remuneration policy. The accrual is an estimate of the amount due within 12 months after the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government

National Government Grants
 Total Conditional Grants and Receipts

2016582	9910507
2016582	9910507
2016582	9910507

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 20 for the reconciliation of all conditional grants.

The Unspent Grants are cashbacked by call deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Note 56 for more detail on Conditional Grants.

12 OPERATING LEASE LIABILITIES/PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

12.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Equipment with lease terms not longer than 5 years, with no option to extend for a further period. None of the operating lease contracts contains escalation clauses. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Photocopiers which fall due as follows:

Vehicles and Other Equipment:

Upto 1 year
 2 to 5 years
 More than 5 years

1052308	1566253
513945	513945
538363	1052308
1052308	1566253

Total Operating Lease Arrangements

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13 LONG TERM LIABILITIES		
Finance Lease Liabilities	1546892	-
Sub-total	1546892	-
Less: Current Portion transferred to Current Liabilities:-	291413	-
Finance Lease Liabilities	291413	-
Total Long-term Liabilities (Neither past due, nor impaired)	1255479	-

13.1 Summary of Arrangements

Finance Lease Liabilities relate to Vehicles with lease terms starting during the year for a period of 5 years. The effective interest rate is 9% per annum which was 9% since the inception of the agreements. Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximates their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Note 50 for more detail on Long-term Liabilities.

13.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years. The effective interest rate on Finance Leases is linked to the prime bank rate which was 9% since inception of the agreements.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011 R	2010 R	2011 R	2010 R
Amounts payable under finance leases:				
Within one year	418807	-	291413	-
In the second to fifth years, inclusive	1468678	-	1255479	-
Over five years	-	-	-	-
	1887485	-	1546892	-
Less: Future Finance Obligations	340593	-		
Present Value of Minimum Lease Obligations	1546892	-	1546892	-
Less: Amounts due for settlement within 12 months (Current Portion)			291413	-
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			1255479	-

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the

(i) Vehicles	10
- Instalments are payable monthly in arrears	
- Average period outstanding	60 months
- Average effective interest rate, based on prime	9.00%
- Average monthly instalment	R41880.70

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
14 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	424880	403770
Provision for Rehabilitation of Land-fill Sites	4056089	3790741
Total Non-current Provisions	4480969	4194511

Provision for Long Service Awards have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 29 on "Correction of Error" for details on the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Long Service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	403770	3790741
Contribution to provision	175024	265349
Increased due to discounting	-	-
Expenditure incurred	-	-
	578794	4056089
Transfer to current provisions	(153914)	-
Balance at end of year	424880	4056089
30 June 2010		
Balance at beginning of year	331775	3542620
Contribution to provision	174522	241174
Increased due to discounting	-	6947
Expenditure incurred	-	-
Balance at end of year	403770	3790741

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R4,056 million to restore the sites at the end of its useful lives, estimated to be between 16 and 19 years.

Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The figures for the Long Services Awards for 2009/10 were restated due to the evaluation done at 30 June 2010 being done on inaccurate criteria.

14.1 Long Service Awards

Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the award to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At 30 June 2010, 125 employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R133628, whereas the interest for the current year is estimated to be R41396.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R
2011	2010
R	R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.08%	9.08%
Cost Inflation Rate	5.41%	5.41%
Net Effective Discount Rate	2.51%	2.51%
Expected Return on Plan Assets	6.41%	6.41%
Expected Rate of Salary Increase	6.41%	6.41%
Expected Return on Reimbursement Rights	0.00%	0.00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	506297	374571
Current service costs	133628	87945
Interest cost	41396	32500
Benefits paid	(102527)	(42796)
Actuarial losses/(gains)	-	54077
Total Recognised Benefit Liability	578794	506297

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	133628	87945
Interest cost	41396	32500
Actuarial losses/(gains)	-	54077
Total Post-retirement Benefit included in Employee Related Costs	175024	174522

The history of experienced adjustments is as follows:

	2011	2010	2009	2008	2007
	R	R	R	R	R
Present Value of Defined Benefit Obligation	578794	506297	374571	-	-
Deficit	578794	506297	374571	-	-

14.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the land fill refuse sites, the municipality will incur rehabilitation costs of R4,056 million to restore the sites at the end of its useful lives, estimated to be between 16 and 19 years. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

15 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	5014475	5014475
Government Grants Reserve	195396057	152083309
Accumulated Surplus/(Deficit) due to the results of Operations	33164828	62220051
Total Accumulated Surplus	233575360	219317835

Accumulated Surplus has been restated to correctly disclose previous years balances. Refer to Note 29 on "Correction of Error" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
The Government Grants Reserve equal the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumerequity and is not backed by cash. Due to the exemption of depreciation of assets until 30 June 2011 the carrying value of assets are only known after the depreciation was done retrospectively and the reserve was restated accordingly.		

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

16 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2011 R000's	July 2010 R000's		
Residential	260980500	260980500	2552727	3231087
Commercial	245779500	245779500	2704546	4708834
State	108698500	108698500	1196113	2082530
Total Assessment Rates	615458500	615458500	6453386	10022451
Attributable to:				
Continuing Operations			6453386	10022451
Discontinued Operations			-	-
			6453386	10022451

The municipality does not raise interest on overdue accounts and therefore Property Rates Revenue have been restated to disclose the fair value of Interest Revenue. (IAS 39) whereby part of the Property Rates Revenue was discounted and transferred to Interest on Outstanding Debtors Revenue. See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2009.

An average general rate of 1.1c/R (2009/2010: 1.6c/R) is applied to residential and 1.3c/R (2009/10: 1.8c/R) on business property valuation to determine assessment rates.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is not levied on overdue amounts.

17 INTEREST EARNED

External Investments:

Investments	3362168	4388311
	3362168	4388311

Outstanding Debtors:

Outstanding Billing Debtors	984073	1362454
	984073	1362454

Total Interest Earned

	4346241	5750765
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Interest on Outstanding Debtors has been restated to disclose the fair value of interest on outstanding accounts in accordance with International Accounting Standard (IAS) 39.

See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	3362168	4388311
Loans and Receivables	984073	1362454
	4346241	5750765

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEAR ENDED 30 JUNE 2011

	2011 R	2010 R
18 SERVICE CHARGES		
Refuse Removal	1781184	1231001
Total Service Charges	1781184	1231001

The municipality does not raise interest on overdue accounts and therefore Service Charges Revenue have been restated to disclose the fair value of Interest Revenue. (IAS 39) where by part of the Service Charges Revenue was discounted and transferred to Interest on Outstanding Debtors Revenue.

See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumer on a monthly basis according to approved tariffs.

19 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Other Rental Revenue	846618	881935
Rental Revenue from Buildings	(0)	220986
Rental Revenue from Halls	132834	113974
Rental Revenue from Land	1316	-
Total Rental of Facilities and Equipment	980768	1216894

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

20 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	71442307	58456347
Other Subsidies	3500000	-
Operational Grants	74942307	58456347
Conditional Grants	60177838	20916429
National: FMG	1016304	1309216
National: MIG	35403053	18783860
National: MSIG	1665001	632909
Other: Electricity	20000000	-
Provincial: DEAT Grant	2093481	68511
Other Spheres of Government: Various Grants	-	121933
Total Government Grants and Subsidies	135120145	79372775

Operational Grants:

20.1 National: Equitable Share	71442307	58456347
Utilised	71442307	58456347

In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package.

20.2 Municipal Election Support

Utilised	3500000	-
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The Municipality received an amount of R3500000 from the Department of Local Government, Housing and Traditional Affairs for the funding of operations and preparations necessary with the Municipal Election held in May 2011.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Conditional Grants:		
20.2 National: FMG Grant		
Balance unspent at beginning of year	(177 178)	132 038
Current year receipts	120 000	100 000
Conditions met - transferred to Revenue	(101 630)	(130 921)
Other Transfers		
Conditions still to be met - transferred to Current Assets (see Note 11)	6518	(177 178)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

20.3 National: MIG Funds

Balance unspent at beginning of year	531 914	-
Current year receipts	1693 900	2410 300
Conditions met - transferred to Revenue	(3540 305)	(1878 386)
Other Transfers	1314 491	-
Conditions still to be met - transferred to Current Assets (see Note 11)	-	531 914

The Municipal Infrastructure Grant (MIG) was allocated for mainly the construction of roads. No funds have been withheld.

The MIG Grant was overspent due to National Treasury changing the time of payment from the National Government Financial Year to the Municipal Financial Year, i.e. from March 2011 to June 2011. The R13144913 is shown as a debtor "Government Grants and Subsidies".

20.4 National: MSIG Funds

Balance unspent at beginning of year	667 091	-
Current year receipts	1 000 000	1 300 000
Conditions met - transferred to Revenue	(1 665 001)	(632 909)
Conditions still to be met - transferred to Current Assets (see Note 11)	2090	667 091

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

20.5 National - Electricity

Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met - transferred to Revenue	(2 000 000)	-
Conditions still to be met - transferred to Current Assets (see Note 11)	-	-

The grant was received from the Department of Mineral and Energy to be paid to Eskom for the upgrading of electrical installations within the greater municipal area. Eskom is the Electricity Service Provider in the area.

20.6 National - Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	410 145	-
Current year receipts	-	416 965
Conditions met - transferred to Revenue	(209 348)	(68 511)
Conditions still to be met - transferred to Liabilities (see Note 10)	200 793	410 145

This grant was allocated for Economic Development Program. No funds have been withheld.

20.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21 OTHER INCOME		
Pound Fees	331755	455729
Free Basic Services	-	0
Advertising	60695	79359
Building Plan Fees	72717	131199
Funeral Plot Fees	8029	13695
Parking Meters	2162	-
LG Seta	51669	
Sales: Wood	146	701
Tender Fees	249817	267900
VAT Refund	-	(30081)
Other Income	291887	1054
Insurance Claims	13866	37982
Unknown Deposit	-	325044
Inter-departmental Recoveries	-	5000
Total Other Income	1082744	1287582
Attributable to:		
Continuing Operations	1082744	1287582
	1082744	1287582
<p>Other Revenue was restated as payments to Eskom for Free Basic Services was debited to a revenue vote. See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.</p> <p>The amounts disclosed above for Other Income are in respect of services, other than described in Notes 16 to 20, rendered which are billed to or paid for by the users as these services are required according to approved tariffs.</p>		
22 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	22700662	13325298
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3740299	3600977
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3979509	5394913
Housing Benefits and Allowances	1206112	1844874
Long-service Awards	72497	150751
Total Employee Related Costs	31699079	24316814
<p>No advances were made to employees.</p>		
Remuneration of the Municipal Manager		
Annual Remuneration	617939	568022
Car Allowance	169672	151711
Housing Allowance	62044	55588
Company Contributions to UIF, Medical and Pension Funds	10084	95251
Total	859739	870572
Remuneration of the Chief Financial Officer		
Annual Remuneration	465775	410437
Car Allowance	112904	125138
Housing Allowance	83810	75089
Company Contributions to UIF, Medical and Pension Funds	8440	51422
Total	670929	662086
Remuneration of the Manager: Corporate Services		
Annual Remuneration	465773	380993
Performance Bonus	50034	
Acting allowance		9050
Car Allowance	121080	99408
Housing Allowance	99506	81859
Company Contributions to UIF, Medical and Pension Funds	8924	28033
Total	745316	599343

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Remuneration of the Manager: Infrastructure and Planning		
Annual Remuneration	465772	435515
Performance Bonus	30300	-
Car Allowance	171122	126935
Housing Allowance	75050	92599
Company Contribution to UIF, Medical and Pension Funds	8627	7691
Total	750871	662741
Remuneration of the Manager: Community Services		
Annual Remuneration	465772	393074
Acting Allowance		15313
Car Allowance	246172	131936
Company Contribution to UIF, Medical and Pension Funds	8174	6160
Total	720118	546483
Remuneration of the Manager: Local Economic Development		
Annual Remuneration	465772	455109
Acting Allowance	64196	
Car Allowance	137221	129768
Housing Allowance	52069	
Company Contribution to UIF, Medical and Pension Funds	8392	58430
Total	727649	643307

The Manager was on leave from November to January and from March to June, Assistant Manager LED was the acting LED Manager for these periods and was paid an acting allowance

Remuneration of the Manager: Chief Operations Officer

Annual Remuneration	465775	497915
Acting Allowance	8559	
Car Allowance	112904	130073
Housing Allowance	83810	
Company Contribution to UIF, Medical and Pension Funds	8046	46364
Total	679095	674351

The Manager was on leave from 12-31 May 2011. Assistant Manager: SPU was an acting Manager and was paid an acting allowance for the period he was acting.

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

23 REMUNERATION OF COUNCILLORS

Executive Mayor	564011	519680
Speaker	443056	415744
Mayoral Committee Members	2599432	2422725
Councillors	7509467	5655012
Company Contribution to UIF, Medical and Pension Funds	-	132680
Reimburse travel outside the municipal area	273127	169759
Total Councillors' Remuneration	11389093	9315600

In-kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor had the use of a residence of which Council paid the monthly rental.

The Mayor had an official office and car.

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

	2011 R	2010 R
24 DEPRECIATIONANDAMORTISATION		
Depreciation: Property, Plant and Equipment	23143012	19048165
Amortisation: Intangible Assets	151136	125602
	-	-
Total Depreciation and Amortisation	23294148	19173767
The municipality opted to take advantage of the transitional provisions in Directive 4 from the Accounting Standards Board under which assets will not be depreciated until 30 June 2011.		
25 IMPAIRMENTLOSSES		
25.1 Impairment Losses on Fixed Assets		
All assets were retested for impairment and it was found necessary to impair a car which was in an accident.		
25.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	9215993	7707016
Assets	139760	
Consumer Debtors	2567488	-
Other Debtors (Rates)	6508745	7707016
Total Impairment Losses	9215993	7707016
26 FINANCE COSTS		
Finance Leases	77727	-
Other	556521	1087742
Total Interest Paid on External Borrowings	634248	1087742
27 GENERALEXPENSES		
Cleaning Services	744667	726384
Performance Management System	207525	-
Subsistence and Travelling	3005235	2866823
Uniforms & Protective Clothing	514871	101652
Accounting & Audit Fees	2571769	2348287
Advertising Fees	452629	409815
Ammunition	155767	-
Bank Charges	169871	161385
Books & Publications	70137	87487
Branding & Marketing	402533	90863
Bursaries (Scarce Skills)	162202	-
Catering	534069	501899
Communication Strategy	-	121055
Community Radio Support	234811	146505
Conference Fees	203858	67463
Consultant & Professional Fees	3228926	4580743
Consumables & Beverages	40590	32370
Customer Care	2933	1323
Disaster Management Plan	185360	55929
EAP	27400	237789
Electricity and Water Purchases	361558	369230
Entertainment	1005844	29866
Events & Programs	288073	283898
Gazetting Bylaws Project	29675	-
Health and Safety	46031	-
ICT Licensing	51338	-
HIV/AIDS	174056	30254
IGR	13651	-
Indigent Support	622913	203349
Insurance: External	769548	724279

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	2011 R	2010 R
InternalAuditCommittee	951175	457738
LegalFees	633366	795571
Material&Stores	19138	3143
Membershipfees	308506	400521
PaydayLicencingandSupport	28901	-
PolicyRolloutProgramme	24128	-
OfficeRental	114948	201896
PauperBurials	841	3329
Postage	1424	883
PoundFees	36305	13407
Printing&Stationery	936371	328832
PromotionalMaterial	654291	195688
InductionProgramme	1439	-
SpeedEnforcement	60149	-
IntegratedDevelopmentPlan(IDP)	186954	-
AgrarianReform	306831	-
RecruitmentActivities	225160	-
EnvironmentalManagement	412105	-
InvestmentPromotion	181974	-
SMMEDevelopment	642857	-
ForestryDevelopment	242498	-
PublicSafety	101630	6854
HumanResources	14561	-
RatepayersIncentive	900	-
RefuseBags&Bins	727155	478293
SecurityCosts	1848566	1504228
SPUProgrammes	460902	150471
StrategicPlanning	167932	512432
SundryExpenses	1422	7464
SurveyandPlanning	(6508)	434663
SystemRental	11075	139787
Telephone	2405398	1713897
TrainingExternal	843200	377661
Fuel&Oil	852104	75364
FleetRentalServices	796035	-
WardCommittees	341762	536846
EquipmentRental	305380	206480
MedicineforPound	12859	-
HallHire	-	30649
DriversLicenceCards	71295	-
SPUProgrammes	-	314249
TranslationofPolicies	69193	-
YearEndFunction	131448	-
FinancialSystems	552392	-
Policyformulation&Review	10249	-
FreeBasicServices	1551073	112964
Tourism	565494	-
Policyformulation&Review	-	182824
Garnishee	-	(1300)
AdminSystems	-	336754
PettyCash	-	20098
EEP	-	95208
AnnualReports	240927	-
PerformanceManagementSystem	-	170364
ICTInfrastructure	422424	26807
MayorsDiscretionaryFund	-	524758
CommunityFacilities	342096	741555
WasteManagement	1066156	1365696
ForestryDevelopment	-	280687
InvestmentPlan	-	130946
MassiveFoodProduction	-	634203
SMMEDevelopment	-	124264
Tourism	-	295002
IDPOutReach	-	4347

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Total General Expenses	36154323	28114168

General expenses was restated as payments for the amount of R112964 to Eskom for Free Basic Services was debited to revenue vote. See Correction of Error Note 29.5 Reclassification of Expenditure - 2009/10 for details.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

27.1 Government Grants (Conditional)

The following operating expenditure were financed by the grants as indicated:

Municipal Systems Improvement Grant (MSIG)	1606586	181510
Financial Management Grant (FMG)	978046	802464
Municipal Infrastructure Grant (MIG/PMU)	19186	308435
Electrification (DME)	17354028	144516
Department Education and Training (DEAT)	1863126	65415
	21820972	1502338

The MSIG is used for capacity building of Councillors, Ward Committees seating allowance and Implementation of the MPRA.

The FMG is used for salaries of the financial interns, staff capacitation and the improvement of systems.

The MIG amount is operational cost of the Project Management Unit.

The DME grant was paid over to Eskom who is responsible for the electrification and connections in the area.

The DEAT grant is used for environmental impact assessments and project management.

28 CHANGE IN ACCOUNTING POLICY

28.1 Adjustments were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2009 and 30 June 2010

Appropriations are summarised as follows:

	2010	2009
Property, Plant and Equipment	-19048165	-122398040
Intangible Assets	-125602	-33388
	-19173767	-122431428

28.2 Reclassification of Expenditure - 2009/10

	AFS	RESTATED	ADJUSTMENT
Depreciation and Amortisation	-	19173767	-19173767
	-	19173767.2	-19173767.2

Detail:

Depreciation and Amortisation

Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality needs to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the depreciation for the 2009/10 year was disclosed as indicated. See Note 52 for details.

-19173767

28.3 Reclassification of Statement of Financial Position: 30 June 2009

	AFS	RESTATED	ADJUSTMENT
Property, Plant and Equipment	243182152	120784112	122398040
Intangible Assets	377060	343673	33388
	243559212	121127784	122431428

Detail:

Property, Plant and Equipment

Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality needs to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the "backlog" depreciation was calculated at 30 June 2009 as indicated. See Note 52 for details.

-122398040

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

	2011 R	2010 R
<u>IntangibleAssets</u>		
SeenoteunderProperty,PlantandEquipmentabove.		-33388

ReclassificationofStatementofFinancialPosition:30June2010

	AFS	RESTATED	ADJUSTMENT
PropertyPlantandEquipment	274771307	255723141	19048165
IntangibleAssets	377060	251458	125602
	275148367	255974600	19173767

Detail:

PropertyPlantandEquipment

Depreciationwaspreviouslyexemptedin accordancewithAccountingStandardDirective4.Directive4 is no longer applicableandthemunicipalityneedtoapplydepreciationforthe2010/11financialyearretrospectivelyforthelast twoyears.Accordinglythecarryingvalues of assets werereducedwiththedepreciationfor the2009/10financial year. SeeNote52fordetails.

-19048165

IntangibleAssets

SeenoteunderPropertyPlantandEquipmentabove.

-125602

29 CORRECTIONOFFERROR

29.1CorrectionsweremadeandappropriatedtotheAccumulatedSurplusAccountduring thefinancialyearsended30June2009and30June2010

Appropriationsaresummarisedasfollows:

	2010	2009
TradeReceivablesfromExchangeTransactions	-3286812	-1585501
TradeReceivablesfromNon-ExchangeTransactions	590862	-
CashandCashEquivalents	753451	-
OperatingLeaseAssets	-2994	-29225
Property,PlantandEquipment	403416	11452557
InvestmentProperty	-	-3808500
Creditors	954742	340439
Non-currentProvisions	6093	28134
AccumulatedSurplus/(Deficit)		6397904
Increase/(Decrease)inAccumulatedSurplusAccount	-984742	6397904

29.2ReclassificationofRevenue - 2008/09

	AFS	RESTATED	ADJUSTMENT
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Detail:

None.

29.3ReclassificationofRevenue - 2009/10

	AFS	RESTATED	ADJUSTMENT
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PropertyRates	11235868	10022451	1213417
Fines	144257	144257	-
LicencesandPermits	32218	32218	-
IncomeforAgencyServices	4547792	4547792	-
GovernmentGrantsandSubsidiesReceived	79372775	79372775	-
ServiceCharges	1380038	1231001	149037
RentalofFacilitiesandEquipment	876301	1216894	-340594
InterestEarned-ExternallInvestments	4388311	4388311	-
InterestEarned-OutstandingDebtors	-	1362454	-1362454
OtherIncome	1174618	1287582	-112964
	103152178	103605735	-453557

Detail:

PropertyRates

Asa resultofthemunicipalitynotraisinginterestonoutstandingdebtorsa "TimeValueofMoney"calculation revealedthatpartoftherevenuefrom PropertyRatesdisclosedneedtobe disclosedas "Interestonoutstanding debtors".

	11235868	10022451	1213417
			1213417

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	
<u>Service Charges</u>			
As a result of the municipality not raising interest on outstanding debtors a "Time Value of Money" calculation revealed that part of the revenue from Service Charges (Refuse Disposal) disclosed need to be disclosed as "Interest on outstanding debtors".	1380038	1231001	149 037
			149037
<u>Rental of Facilities and Equipment</u>			
The straightlining of rental from operating leases previously incorrectly included VAT	24381	21387	2994
Rental only received in the next financial year from the Departments of Transport and the Department of Sports, Art and Culture in respect of offices in Mount Ayliff			-340518
Unknown deposit was identified and allocated to Rental Revenue from Operating Leases			-3070
			-340594
<u>Interest Earned - Outstanding Debtors</u>			
As a result of the municipality not raising interest on outstanding debtors a "Time Value of Money" calculation revealed that part of the revenue from Property Rates and Service Charges (Refuse Disposal) disclosed need to be disclosed as "Interest on outstanding debtors".	-	1362454	-1 362 454
			-1362454
<u>Other Income</u>			
Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year	1174618	1287582	-112964
Refer Payments EF005151 dated 15/01/2010 for R74173,47 and EF005403 dated 03/03/2010 for R38790,35			-112964
			-112964
29.4 Reclassification of Expenditure - 2008/09	AFS	RESTATED	ADJUSTMENT
Detail:			
None			
29.5 Reclassification of Expenditure - 2009/10	AFS	RESTATED	ADJUSTMENT
Employee Related Costs	24327977	24316814	11163
Remuneration of Councillors	9315600	9315600	-
Depreciation and Amortisation	-	19173767	-19173767
Impairment Losses	6970897	7707016	-736119
Repairs and Maintenance	7730142	7568626	161516
Finance Costs	8292	1087742	-1079450
General Expenses	28617265	28114168	503097
	78505025	98786070	-20281045
Detail:			
<u>Employee Related Costs</u>			
The valuation of the Long Service Awards liability last year was calculated on incorrect criteria submitted and had to be restated as follows:	AFS	RESTATED	ADJUSTMENT
Employee costs: Current Service Cost	95408	87945	7463
Employee costs: Interest Cost	35256	32500	2756
Employee costs: Actuarial Loss	58651	54077	4574
Employee costs: Contributions	-46426	-42796	-3630
			11163
<u>Depreciation and Amortisation</u>			
Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality needs to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the depreciation for the 2009/10 year was disclosed as indicated. See Note 52 for details.			-19173767
			-19173767
<u>Impairment Losses</u>			
With the "Time Value of Money" calculation the Auditor General determined that the provision for impairment are too low.	6970897	7707016	-736 119
			-736119

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Repairs and Maintenance</u>		
<i>Time value of Money calculation Repairs & Maintenance restated as Interest Paid/Finance Cost</i>		161516
		161516
<u>Finance Costs</u>		
<i>Time value of Money calculation Repairs & Maintenance restated as Interest Paid/Finance Cost</i>		-161516
<i>Time value of Money calculation General Expenses restated as Interest Paid/Finance Cost</i>		-648576
<i>Measurement of Financial Instrument (Creditors) at year end</i>		-269358
		-1079450
<u>General Expenses</u>		
<i>Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year</i>	30152118	28114168
<i>Refer Payments EF005151 dated 15/01/2010 for R74173,47 and EF005403 dated 03/03/2010 for R38790.35</i>		-112964
<i>Time value of Money calculation General Expenses restated as Interest Paid/Finance Cost</i>		648576
		535612

29.6 Reclassification of Statement of Financial Position: 30 June 2009

	AFS	RESTATED	ADJUSTMENT
Inventory	403500	403500	-
Trade Receivables from Exchange Transactions	9741857	8156356	1585501
Trade Receivables from Non-Exchange Transactions	-416208	-416208	-
Cash and Cash Equivalents	66005944	66005944	-
Operating Lease Assets	250434	221209	29225
Property, Plant and Equipment	243182152	254634709	-11452557
Intangible Assets	377060	377060	-
Investment Property	18094500	14286000	3808500
Creditors	2741958	2401519	340439
Unspent Conditional Grants and Receipts	132038	132038	-
Non-current Provisions	3902529	3874395	28134
	344415764	350076522	-5660758

Details:

Trade Receivables from Exchange Transactions

VAT was reconciled during 2009/10 and as a result an amount of R3044011.95 was transferred to the Accumulated Surplus account. Just before the final AFS for 2009/10 was submitted an error, Output VAT of R1585501.11 declared on an Equitable Share Receipt of R12910509 was discovered. The receipt was corrected and the declared amount was adjusted to an Output VAT control vote. This adjustment should have been part of the reconciliation process for 2009/10 and the amount of R3044011.95 mentioned before should have been reduced by this amount.

1585501

1585501

Operating Lease Assets

The straight-lining of rental from operating leases previously incorrectly included VAT causing the asset to be overstated.

237974

208749

-29225

-29225

Property, Plant and Equipment

Land previously incorrectly disclosed as "Investment Property" was transferred to Property Plant and Equipment. Refer to Erf No 453 Mount Frere

662500

Land previously disclosed as held for sale and impaired to R1 because of a "land claim" registered re-instated to fair value, A contingent liability will be disclosed in respect of the land claim. due to reconsideration given

10790057

11452557

Investment Property

Land previously incorrectly disclosed as "Investment Property" was transferred to Property Plant and Equipment. Refer to Erf No 453 Mount Frere and written off Refer Erf 209 Remainder Mount Frere

-3808500

-3808500

UMZIMVUBULO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	
Creditors			
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>			
Provision for Long Service Bonuses (Current) Pre-2009/10 unknown balances written off	-46426	-42796	-3630
Bank Debtor	949600450	-1150	-1150
Consumer reallocation	949777777	-150841	-150841
Netsalaries control Acc	949601220	-53211	-53211
Strike Fund control account	949601230	-1473	-1473
Days Absent control account	949601240	-125344	-125344
Insurance cars control account	949060200	-5698	-5698
Municipal Services control Account	949601280	908	908
			-340439

Non-current Provisions			
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>			
Non-Current provision for Long Service Bonuses	-359909.00	-331775.00	-28134
			-28134

29.7 Reclassification of Statement of Financial Position: 30 June 2010

	AFS	RESTATED	ADJUSTMENT
Inventory	741965	338465	403500
Trade Receivables from Exchange Transactions	8405817	5119006	3286812
Trade Receivables from Non-Exchange Transactions	3556306	4147168	-590862
Cash and Cash Equivalents	79945690	80699141	-753451
Operating Lease Assets	291079	288085	2994
Property, Plant and Equipment	274771307	275174723	-403416
Intangible Assets	377060	377060	-
Investment Property	18094500	18094500	-
Creditors	16534612	15579870	954742
Unspent Conditional Grants and Receipts	9910507	9910507	-
Non-current Provisions	4228738	4222645	6093
	416857582	413951170	2906412

Details:

Inventory

Even previously held in inventory are also included in the Assets Register as Property Plant and Equipment at a nominal value of R1 each due to a land claim hanging over these properties. The duplication needs to be reversed.

403 500

403500

Trade Receivables from Exchange Transactions

The total Provision for Impairment was disclosed under Trade Receivables from Non-Exchange Transactions and needs to be separated to show the provision on Refuse Disposal Charges

3626829

Rental only received in the next financial year from the Departments of Transport and the Department of Sports, Art and Culture in respect of offices in Mount Ayliff

-340518

Unknown deposit was identified and allocated to refused debtors account

500

3286811

Trade Receivables from Non-Exchange Transactions

Guarantee Investment was disclosed as Non-Exchange Transactions and should have been Cash and Cash Equivalents (Short term investment) due to a coding error.

-226255

Consumer Debtors control account balance more than the Debtors accounts system 30 June 2010 to date

-229198

With the "Time Value of Money" calculation the Auditor General determined that the provision for impairment is too low. The total Provision for Impairment was disclosed under Trade Receivables from Non-Exchange Transactions and needs to be separated to show the provision on Trade Receivables from Exchange Transactions.

-736119

Write off of old balances as per Council Resolution. Accruals R1444285.24, Priority year corrections R120571.07 and Deposit reversals R3280.46

3626829

Old balances on salary control accounts approved to be written off by Council (949600790=-R400,949601170=R20167,949600830=-R150,949601140=-R158531,949601150=-R114752,949601270=-R8875,949601260=R9 and 949600800R32310

-1568137

Various unknown deposits was identified and allocated to Assessment Rates debtors accounts

-270558

-5700

590862

UMZIMVUBULO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Cash and Cash Equivalents</u>		
<i>Guarantee Investment was disclosed as Non Exchange Transactions and should have been Cash and Cash Equivalents (Short term investment) due to a coding error.</i>		226255
<i>Standard Bank Investment account number 184750164 not recorded in accounting records at 30 June 2010</i>		504396
<i>Standard Bank Investment account number 082118396 not recorded in accounting records at 30 June 2010</i>		27417
<i>Old balances written off with Council approval: Petty Cash (949600600)</i>		-4617
		753451

<u>Operating Lease Assets</u>		
<i>The straight-lining of rental from operating leases previously incorrectly included VAT causing the asset to be overstated.</i>	24381	21387
		-2994
		-2994

<u>Property, Plant and Equipment</u>		
<i>Properties previously held as stock transferred back to Property, Plant & Equipment (R403500-R84)</i>		403416
		403416

<u>Creditors</u>			
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>			
	AFS	RESTATED	ADJUSTMENT
<i>Long Service Award Liability (Current)</i>	46426	42796	3630
<i>Long Service Award Liability (Current)</i>	-111227	-102527	-8700
<i>Erroneous accruals Creditors Control at 30 June 2010</i>	949600801	-14820815	-1038897
<i>Measurement of Financial Instrument (Creditors) IAS 39</i>			269358
<i>Old balances on salary control accounts approved to be written off by Council (94906110=-R139723, 949600750=-R36,600880=-R82730, 949600810=-R17579, 949601180=-R2192, 949601190=-R1433, 949601130=-R2527, 949600601=-R27438, 949601160=-R74.20, 949600400=-R740, 949600840=-R69463, 94960120=-R135, 949600410=-R3140, 949600420=-R32717, 949600920=-R4448 and 949600920=-R278931</i>			
			-170863
<i>Various Unknown deposits previously disclosed as creditors was identified and reallocated to the correct activity</i>			-9270
			-954742

<u>Non-current Provisions</u>			
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>			
<i>Long Service Award Liability (Non-Current)</i>	-189315	-174522	-14793
<i>Long Service Award Liability (Non-Current)</i>	111227	102527	8700
			-6093

29.8 Reclassification of Cash Flow Statement:			
	AFS	RESTATED	ADJUSTMENT
<i>Cash receipts from Ratepayers, Government and Other</i>	98934965	99048005	-113040
<i>Cash paid to Suppliers and Employees</i>	-57745439	-56786640	-958799
<i>Interest received</i>	4388311	4388311	0
<i>Interest paid</i>	-8292	-1087742	1079450
<i>Purchase of Property, Plant and Equipment</i>	-31589155	-31589155	0
<i>(Increase)/decrease in Long-term Receivables</i>	-40645	-37651	-2994
<i>Cash and Cash Equivalents at the beginning of the year</i>	66005944	66764012	-758068
<i>Cash and Cash Equivalents at the end of the year</i>	79945690	80699141	-753451

<u>Details:</u>			
<u>Cash receipts from Ratepayers, Government and Other</u>			
<i>Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year</i>			
<i>Refer Payments EF005151 dated 15/01/2010 for R74173,47 and EF005403 dated 03/03/2010 for R38790.35</i>			
<i>Refer Payments EF005151 dated 15/01/2010 for R74173,47 and EF005403 dated 03/03/2010 for R38790.35</i>			
<i>Rental on operating lease previously overstated with VAT</i>			
<i>Rental on operating lease previously under creditors</i>			

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<u>Cash paid to Suppliers and Employees</u>		
<i>Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year. See details at Cash Receipts above.</i>		74173
		38790
	24381	-2994
		<u>3070</u>
		<u>113040</u>
		112964

UMZIMVUBULOCALMUNICIPALITY
NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

	2011 R	2010 R
<i>Amount removed from payments to "Interest Paid" due to Time Value of Money/Measurement of Financial Instruments IAS39</i>		-1079450
		-958799
<u>Interest paid</u>		
<i>Amount removed from payments to "Interest Paid" due to Time Value of Money/Measurement of Financial Instruments IAS39</i>		1079450
		1079450
<u>(Increase)/decrease in Long-term Receivables</u>		
<i>Rental on operating lease previously overstated with VAT</i>	24381	21387
		-2994
		-2994
<u>Cash and Cash Equivalents at the beginning of the year</u>		
<i>See the notes under 29.7 Reclassification of Statement of Financial Position: 30 June 2010 for details of the restated "Cash and Cash Equivalents".</i>		758068
		758068
<u>Cash and Cash Equivalents at the end of the year</u>		
<i>See the notes under 29.7 Reclassification of Statement of Financial Position: 30 June 2010 for details of the restated "Cash and Cash Equivalents". Amount stated as "Petty Cash" written off</i>		758068
		-4617
		753451

30 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the Year	14257525	5555784
Adjustment for:		
Correction of prior year Error		(736119)
Depreciation and Amortisation	23294149	19173767
Loss on Disposal of Property, Plant and Equipment	382561	-
Gain on Disposal of Property	(344123)	-
Contribution to Provisions - Non-current	286459	320116
Contribution to Impairment Provision	9076234	7707016
Investment Income	(4346241)	(4388311)
Finance Costs	634248	1087742
Operating surplus before working capital changes	43240812	28719995
(Increase)/Decrease in Inventories	(15812)	(338465)
(Increase)/Decrease in Consumer Debtors	(6739189)	995523
(Increase)/Decrease in Other Debtors	(17007468)	(10943411)
Increase/(Decrease) in Creditors	(1217357)	14049254
Increase/(Decrease) in Conditional Grants and Receipts	(7893925)	9778469
Cash generated by/(utilised in) Operations	10367061	42261365

31 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.

32 FINANCING FACILITIES

The municipality has vehicles on finance leases.

32 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities	1546892	-
Used to finance Property, Plant and Equipment - at cost	(1546892)	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Cash has not been set aside to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates but expenditure will be provided for on the annual budget..

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	2011 R	2010 R
33 UNAUTHORISED,IRREGULAR,FRUITLESSANDWASTEFULEXPENDITUREDISALLOWED		
33.1 Unauthorised Expenditure		
The operational expenditure exceeded approved budgeted expenditure which constitutes unauthorised expenditure.	Budget 103771215	Actual 139824447
		Over/(Under) 36053232

Depreciation was affected the first time and accordingly R23,4 million was expensed. A government grant of R20 million towards the upgrading of the electricity network in the area was received during the year. A non-budgeted grant for the amount of R3,5 million was received in respect of preparations for the municipal election which was held in May 2011 was received and spent during the year.

No provision for impairment of debtors was made on the budget. With the compilation of the Annual Financial Statements, to comply with GRAP accounting, the provision had been calculated based on the payment percentage which resulted in expenditure to the amount of R9 215 993.

If the above amounts are taken into account it calculates to less than 1% over expenditure on budgeted expenditure. The expenditure will however be presented to Council for condonement.

Reconciliation of Unauthorised Expenditure:

Opening balance	12739495	-
Unauthorised Expenditure recurrent year	36053232	12739495
Approved by Council or condoned	(12739495)	-
Unauthorised Expenditure awaiting authorisation	36053232	12739495

Incident	Disciplinary Steps/Criminal Proceedings
Budgeted amount exceeded:-	The unauthorised expenditure will be submitted to Council for condonement.

33.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure recurrent year	48772	-
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	48772	-

Incident	Disciplinary Steps/Criminal Proceedings
Interest on late payment - Various Creditors	None

33.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	1600000	-
Irregular Expenditure recurrent year	24385204	1600000
Irregular Expenditure awaiting condonement	25985204	1600000

Incident	Disciplinary Steps/Criminal Proceedings
Security Contract expired but still being used/paid	Legal advice awaited. 1600000
Non-compliance with Supply Chain Management Regulations:	
Surfacing of Roads in Mount Frere and Mount Ayliff - Period of competitive bidding of 30 days for contracts over R10 million not adhered to. Financial Statements of successful bidder not obtained as required.	None 22821414
Various awards to persons in service of the state	None 759047
30 Days competitive bidding requirement for Fleet Africa lease rental agreement not adhered to	None 804743

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

34.1 Contribution to organised local government - SALGA

Opening Balance	-	73150
Council Subscriptions	310555	256858
Amount Paid - current year	(8509)	(256858)
Amount Paid - previous years		(73150)
Balance Unpaid (included in Creditors)	302046	-

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	2011 R	2010 R
34.2 Audit Fees		
Opening Balance	124320	-
Current year Audit Fee	2607198	2752433
Amount Paid-current year	(2343333)	(2628112)
Amount Paid-previous years	(124320)	-
Balance Unpaid (included in Creditors)	263865	124320

The balance unpaid represents the audit fee for an interim audit conducted during April and May 2011.

34.3 Value Added Tax (VAT)

VAT inputs receivables and VAT outputs receivables are shown in Note 12. All VAT returns have been submitted by the due date throughout the year.

34.4 PAYE and UIF

Opening Balance	458934	-
Current year Payroll Deductions	6530069	4989626
Amount Paid-current year	(6530069)	(4530693)
Amount Paid-previous years	(458934)	-
Balance Unpaid (included in Creditors)	(0)	458934

34.5 Pension and Medical Aid Deductions

Opening Balance	436409	-
Current year Payroll Deductions and Council Contributions	5861919	4634569
Amount Paid-current year	(5861919)	(4198160)
Amount Paid-previous years	(436409)	-
Balance Unpaid (included in Creditors)	-	436409

34.6 Councillor's arrear Consumer Accounts

The following Councillor's arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding upto 90 days	Outstanding more than 90 days
30 June 2011			
Mbele N	4059	423	3636
Nozigqwaba J	6528	1163	5365
Total Councillor Arrear Consumer Accounts	10587	1586	9001

	Total	Outstanding upto 90 days	Outstanding more than 90 days
30 June 2010			
Garane A	9560	1274	8286
Mbele N	3644	252	3392
Socikwa S	39124	772	38352
Mdzinwa M	5948	1434	4514
Mdzinwa MN	7026	1436	5590
Total Councillor Arrear Consumer Accounts	65301	5168	60133

34.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

34.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council during the financial year.

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Department	Date	Successful Tenderer	Reason	Amount
Budget & Treasury	14/03/2011	Ducharme Consulting Pty Ltd	SCM Regulation 36	1298597.00
	27/05/2011	Bell Equipment Sales Ltd	Organ of State, only	116950.15
	20/07/2011	Caseware Training	Bell Dealer, Caseware approved Trainer, Arch	49150.00
	17/05/2011	Arch Actuarial	Actuarial continuity,	14421.00
	12/04/2011	Alternative Energy	Munsoft (Fin. system in use) supplier	1990604.16
	31/03/2011	Munsoft		2852.28
6 Occasions during the financial year for various reasons.				3472574.59
Corporate Services	09/02/2011	Waltons Stationery	Order not signed by SCM	52369.50
1 Occasion during the financial year for the reason as indicated.				52369.50
Community Services	20/09/2010	FG Uniforms	SABS approved uniforms, SABS	12306.00
	20/09/2010	Sparks & Ellis	approved sole supplier (calibration)	12306.00
	03/11/2010	Calibration of Speedtest machine		4552.33
3 Occasions during the financial year for various reasons.				29164.33

35 COMMITMENTS FOR EXPENDITURE

35.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Total Capital Commitments

This expenditure will be financed from:

Government Grants

39232021	14525990
39232021	14525990
39232021	14525990
39232021	14525990
39232021	14525990

35.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 13

36 OPERATING LEASE LIABILITIES/PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at financial year end as none of the contracts has any escalation clauses.

36.1 Leasing Arrangements

The Municipality as Lessee:

The municipality entered into various operating leases over 3 to 5 years during the 2009/10 financial year for the provision of office machines/equipment.

36.2 Amounts payable under Operating Leases

Vehicles and Other Equipment:

Upto 1 year

2 to 5 years

More than 5 years

Total Operating Lease Arrangements

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

Total Operating Lease Expenses

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

1052308	1566253
513945	513945
538363	1052308
-	-
1052308	1566253
305380	210886
305380	210886

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No restrictions have been imposed on the municipality in terms of the operating lease agreements. Standard conditions relevant to the hiring of photocopy machines are applicable.

The Municipality as Lessor:

The Municipality leases out its investment property held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2011	2010
	R	R
Buildings:	971385	1778056
Upto1year	808882	806671
2to5years	162503	971385
Morethan5years	-	-
Total Operating Lease Arrangements	971385	1778056

The following payments have been recognised for rental income and repairs and maintenance expense in the statement of financial performance, as follows:

37 FINANCIAL INSTRUMENTS

37.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Consumer Debtors			
Assessment Rates	Loans and receivables	1412419	4112272
Refuse	Loans and receivables	162447	1049480
Other Debtors	Loans and receivables	7542758	2484024
Other Debtors			
Payments made in Advance	Loans and receivables	47401	2586
Government Subsidy Claims	Loans and receivables	13144913	-
Sundry Debtors	Loans and receivables	41158	32310
Bank, Cash and Cash Equivalents			
Call Deposits	Held to maturity	26356205	78300124
Bank Balances	Available for sale	3268333	2398779
Cash Floats and Advances	Available for sale	-	238
		51975633	88379814

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables

Consumer Debtors	Assessment Rates	1412419	4112272
Consumer Debtors	Refuse	162447	1049480
Consumer Debtors	Loan Instalments	-	-
Consumer Debtors	Other Debtors	7542758	2484024
Other Debtors	Payments made in Advance	47401	2586
Other Debtors	Government Subsidy Claims	13144913	-
Other Debtors	Sundry Debtors	41158	32310
		22351096	7680673

Available for Sale:

Bank Balances and Cash	Bank Balances	3268333	2398779
Bank Balances and Cash	Cash Floats and Advances	-	238
Bank Balances and Cash	Call Deposits	26356205	78300124
		29624537	80699141
Total Financial Assets		51975633	88379814

UMZIMVUBULOCALMUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are reclassified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Creditors			
Trade Creditors	Financial liabilities at amortised cost	1 129 907	1 321 365
Payments received in Advance	Financial liabilities at amortised cost	481 528	282 706
Retentions	Financial liabilities at amortised cost	114 725	-
Staff Bonuses	Financial liabilities at amortised cost	153 914	102 527
Sundry Deposits	Financial liabilities at amortised cost	34 087	69 000
Other Creditors	Financial liabilities at amortised cost	0	7 000

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Creditors	Trade Creditors	1 129 907	1 321 365
Creditors	Payments received in Advance	481 528	282 706
Creditors	Retentions	114 725	-
Creditors	Staff Bonuses	153 914	102 527
Creditors	Sundry Deposits	34 087	69 000
Creditors	Other Creditors	0	7 000
		1 208 351	1 367 486
Total Financial Liabilities		1 208 351	1 367 486

Carrying Amount R	30 June 2011		30 June 2010	
	Fair Value R	R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Loans and Receivables	2 235 109	2 235 109	768 067	768 067
Long-term Receivables	-	-	-	-
Consumer Debtors	911 762	911 762	764 577	764 577
Other Debtors	132 347	132 347	34 896	34 896
Current Portion of Long-term Receivables	-	-	-	-
Available for Sale	296 245	296 245	806 991	806 991
Bank Balances and Cash	296 245	296 245	806 991	806 991
Total Financial Assets	5 197 563	5 197 563	883 798	883 798

30 June 2011 Carrying Amount R	30 June 2011		30 June 2010	
	Fair Value R	R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	1 208 351	1 208 351	1 367 486	1 367 486
Trade and Other Payables:	1 208 351	1 208 351	1 367 486	1 367 486
- Creditors	1 208 351	1 208 351	1 367 486	1 367 486
Total Financial Liabilities	1 208 351	1 208 351	1 367 486	1 367 486
Total Financial Instruments	3 989 228	3 989 228	7 470 492	7 470 492
Unrecognised Gain/(Loss)	-	-	-	-

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Loans and Receivables designated as FVTPL

At the reporting date there are no significant concentrations of credit risk for Loans and Receivables designated as FVTPL. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such loans and receivables.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The Fair Value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

37.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged.

The capital structure of the municipality consists of debt, which includes Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2011	2010
	R	R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Bank, Cash and Cash Equivalents	29624537	80699141
Net Debt	<u>29624537</u>	<u>80699141</u>
Equity	<u>233575360</u>	219317835
Net debt to equity ratio	<u>12.68%</u>	<u>36.80%</u>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

37.3 Financial Risk Management Objectives

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

37.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

37.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

37.5.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risk of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

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2011
R

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R

37.5.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the council or responsible for financial matters.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality's exposure to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality's sensitivity to interest rates has increased during the current period due to the taking up of finance leases at prime rate.

UMZIMVUBULOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

37 FINANCIAL INSTRUMENTS (Continued)

37.7 Effective Interest Rates and Repricing Analysis

In accordance with IFRS 7.40 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2011

Description	Note refin AFS	Average effective Interest Rate	Total	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		26356205	26356205	-	-	-	-
Bank Balances and Cash	5		3268333	3268333	-	-	-	-
Total Fixed Rate Instruments			29624537	29624537	-	-	-	-

30 June 2010

Description	Note refin AFS	Average effective Interest Rate	Total	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		78300124	78300124	-	-	-	-
Bank Balances and Cash	5		2399017	2399017	-	-	-	-
Total Fixed Rate Instruments			80699141	80699141	-	-	-	-

37.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

37.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

37 FINANCIAL INSTRUMENTS (Continued)

37.10 Credit Risk Management

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	7705205	3533505
Other Debtors	14645891	4147168
Bank, Cash and Cash Equivalents	29624537	80699141
Maximum Credit and Interest Risk Exposure	51975633	88379814

38 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Contributions made by the municipality amounted to R2164044 (2009/10: R2404109) to the defined benefit and defined contribution structures and were expensed as incurred during the year under review.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a funding ratio of 102.56% (30 June 2006: 106.5%). The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100.0%). The contribution rate paid by the members (not less than 5.00%) and Council (not less than 12.00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund

No details could be provided for the fund and of any valuation performed.

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R 2010
R

39 RELATEDPARTYTRANSACTIONS

39.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
NTXezu	Councillor	Sizo Projects- Owner
NGMdzinwa	Councillor	Owner of 2nd World B&B- Spouse of Councillor

Councillors and/or management of the municipality have relationships with municipal employees as indicated below:

Family member	Department	Remuneration	Relationship	Related Party
Cllr SG Mandlana	Community & Citizens Services Corporate Services	459 790	Son	A Mandlana
Cllr AN Garane	Services	125 673	Daughter	FZ Garane
Cllr ZN devu	Budget & Treasury Council	136 776	Cousin	BN devu
Cllr MMMpepanduku	Community & Citizens Services Special Programmes	107 88	Daughter	SMpepanduku
Cllr MMMpepanduku	Citizens Services	68 719	Cousin	ZRMpepanduku
Cllr NM Mlenzana	Community & Citizens Services	459 790	Cousin	LL Mlenzana
Cllr NN Boyce	Community & Citizens Services	68 553	Cousin	GN Boyce
Cllr NN Boyce Mr	Community & Citizens Services	68 719	Cousin	T Boyce
MNSineke	Citizens Services	64 721	Cousin	SSineke

39.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

39.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans have been granted to anyone that can be considered as a related party.

39.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

39.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
2ND World B&B	NGMdzinwa	Spouse	Councillor	19 150	132 240
Sizo Projects	NTXezu	Owner	Councillor	5 010	
Total Purchases				24 160	132 240

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

UMZIMVUBU LOCAL MUNICIPALITY
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	2011	2010
	R	R
40 CONTINGENT LIABILITIES		
40.1 Court Proceedings:	27790500	11030500
(i) An application was brought by Mbali Rural Developers in the High Court to prevent Umzimvubu Municipality from awarding the food programme contract to any other entity person. Mbali's application is academic as the municipality decided not to award the contract. Mbali are persisting with their application to recover their cost which are opposed by the municipality. Legal counsel proposed at 30 June 2010 that an amount of R120 000 be disclosed as a contingent liability in lieu of legal fees. Mbali Developers action however has not resulted in a claim against the municipality for R1600000 plus legal fees of R200000. It was resolved that the matter will be resolved through private arbitration.	1620000	120000
(ii) The municipality has been sued for R500000 by an individual for a wrongful arrest and detention by a traffic officer. The attorneys representing the municipality estimate the legal cost for the case at R300000	800000	120000
(iii) A land claim was registered which includes properties of which the title deeds are held by the municipality. The fair value of these properties totals R10790 500. The properties was previously incorrectly impaired but was now re-instated affair value and forms part of the Property Plant and Equipment included in these statements.	10790500	10790500

41 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

42 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

43 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Note 48 and 49 to the financial statements

44 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.

45 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011

46 COMPARATIVE FIGURES

The comparative figures were restated where adjustments for prior years was necessary. Details of these restated amounts can be seen in the Correction of Error Note 29

47 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP18 Segment Reporting-issued March 2005
- GRAP21 Impairment of Non-cash-generating Assets-issued March 2009
- GRAP23 Revenue from Non-exchange Transactions (Taxes and Transfers)-issued February 2008
- GRAP24 Presentation of Budget Information in Financial Statements-issued November 2007
- GRAP25 Employee Benefits-issued December 2009
- GRAP26 Impairment of Cash-generating Assets-issued March 2009
- GRAP103 Heritage Assets-issued July 2008
- GRAP104 Financial Instruments-issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011
48: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	6453386	8160000	(1706614)	-26.45	We over budgeted for rates hoping to get results from the data cleansing project.
Fines	464511	400000	64 511	13.89	The implementation of speed cameras resulted in an increase in revenue.
Licences and Permits	6502	2767000	(2760498)	0.00	
Income for Agency Services	3502369	3044427	457942	13.08	There was more awareness on people from the municipal jurisdiction and outside hence the increase in revenue.
Government Grants and Subsidies Received	135120145	133259130	1861015	1.38	
Service Charges	1781184	1300000	481184	27.01	Our expenditure increased significantly due to service delivery projects.
Rental of Facilities and Equipment	980768	1064974		0.00	
Interest Earned-External Investments	3362168	5000000	(1637 832)	-48.71	
Other Income	1082744	46290764	(45208020)	0.00	
Gain on Disposal of Property, Plant and Equipment	-	500000	(500000)	0.00	
Profit on Sale of Land	344123	300000	44123	12.82	Our investments decreased a lot due to implementation of Capital Projects. The bidding processes yielded better results and increase the purchase prices of land.
Total Revenue	154081972	202086295	(47920117)	(23.71)	
EXPENDITURE					
Employee Related Costs	31699079	45941317	(14242238)	-44.93	Some vacant positions were not filled. Arrival of new councillors after elections and implementation of grade 3 salary scales.
Remuneration of Councillors	11389093	10227345	1161748	10.20	Implementation of GRAP 17 and the valuation of fixed assets in terms of the standard.
Depreciation and Amortisation	23294148	472986	22821162	97.97	To recalculate the recoverability of debtors in terms of GRAP and make the necessary impairment calculations and adjustments.
Impairment Losses	9215993	-	9215993	100.00	IEC grant that was not budgeted for increased repairs and maintenance of streets.
Repairs and Maintenance	5234029	3359264	1874765	35.82	Finance lease taken up for vehicles.
Finance Costs	634248	-	634248	100.00	
General Expenses	36154323	34773402	1380 921	3.82	Electrification programme that was initially budgeted for as capital but was expensed due to the nature of grant. The electrification does not become a Municipal asset so we could not capitalise the money transferred to Eskom. The Municipality conducted a data cleansing project and the results are yet to be implemented, hence now write off was made.
Bad Debts	-	365000	(365000)	0.00	
Total Expenditure	118003475	95139314	22864161	24.03	
NET SURPLUS/(DEFICIT) FOR THE YEAR	36078497	106946981	(70868484)	66.27	

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	-	-	-	555000	(555000)	(100.00)	Change of Council due to municipal elections. Change of plans accordingly.
Finance and Administration	458437	-	458437	3474513	(3016076)	(86.81)	Delays in procurement process on system to be introduced.
Planning and Development	111714	4205592	4317306	90927472	(86610166)	(95.25)	Budget reflects Infrastructure, LED, Special Programmes whereas different GFS functions are applicable.
Health	-	-	-	-	-	0.00	
Community and Social Services	3638890	-	3638890	3358095	280795	8.36	
Waste Management	521689	-	521689	-	521689	0.00	No separate cost centre for Waste Management hence no budget. Created a cost centre for Waste Management for 2011/12.
Waste Water Management	-	-	-	-	-	0.00	
Roads and Transport	27436099	30892336	58328435	-	58328435	0.00	Budget included in Planning and Development.
Total	32166830	35097927	67264757	98315080	(31050323)	(31.58)	

UMZIMVUBULOCALMUNICIPALITY

NOTESTOTHEFINANCIALSTATEMENTS FORTHEYEARENDED30JUNE2011

50: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2011
	R				R	R	R	R
OTHER LOANS								
Vehicle Leased								
Isuzu KB50DLWBS/Cab FMX914EC	187807	Prime	1	21-Jan-16	-	187807	15223	172584
Isuzu KB250DTEQS/Cab FMX923EC	265351	Prime	2	22-Dec-15	-	265351	21508	243842
Isuzu KB250DTEQD/Cab FMX972EC	328421	Prime	3	21-Jan-16	-	328421	26621	301800
Chevrolet Aveo1.6LFNH218EC	137450	Prime	4	31-Jan-16	-	137450	9250	128200
Chevrolet Aveo1.6LFMX935EC	152450	Prime	5	21-Jan-16	-	152450	12357	140093
Chevrolet Aveo1.6LFMX936EC	152450	Prime	6	21-Jan-16	-	152450	12357	140093
Chevrolet Aveo1.6LFMX937EC	152450	Prime	7	21-Jan-16	-	152450	12357	140093
Chevrolet Aveo1.6LFMX938EC	152450	Prime	8	21-Jan-16	-	152450	12357	140093
Chevrolet Aveo1.6LFMX929EC	152450	Prime	9	21-Jan-16	-	152450	152450	-
Chevrolet Aveo1.6LFMX940EC	152450	Prime	10	21-Jan-16	-	152450	12357	140093
Total Other Loans	1833729				-	1833729	286837	1546892
TOTAL EXTERNAL LOANS	1833729				-	1833729	286837	1546892

OTHER LOANS:

Vehicle Leases:

Vehicles are leased from Fleet Africa for a period of 5 years with the interest rate linked to the prime overdraft rate. At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the municipality as a rebate of rentals.

UMZIMVUBULOCALMUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

55: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Budgeted Income	2010 Actual Expenditure	2010 Budgeted Expenditure	2010 Surplus/ (Deficit)	Description	2011 Actual Income	2011 Budgeted Income	2011 Actual Expenditure	2011 Budgeted Expenditure	2011 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	16622401	19766923	(16622401)	Executive and Council Finance and	-	2800000	21252073	28397954	(21252073)
78662142	80968632	49039125	15898596	29623 017	Administration Planning and Devel	85959567	104741226	57741265	29032554	28218302
19125708	37409983	25025126	16952641	(5899418)	opment Community and Social Ser	61819389	87880848	40039733	26150935	21779 656
5817886	6151716	8099418	13147370	(2281532)	vices	6303017	6664221	20791377	20189772	(14488360)
103605735	124530331	98786070	65765530	4819665	Sub-Total	154081972	202086295	139824447	103771215	14257525
-	-	-	-	-	Less: Inter-departmental Charges	-	-	-	-	-
103605735	124530331	98786070	65765530	4819665	Total	154081972	202086295	139824447	103771215	14257525

UMZIMVUBULOCALMUNICIPALITY

NOTESTOTHEFINANCIALSTATEMENTSFORTHEYEARENDED30JUNE2011

56: DISCLOSUREOFGRANTSANDSUBSIDIESINTERMSOFSECTION123OFMFMA,560F2003

GrantsandSubsidiesReceived

NameofGrant	NameofOrganofStateorMunicipalEntity	QuarterlyReceipts					QuarterlyExpenditure					ComplianceRevenue	ReasonforNon-compliance
		June	Sept	D	March	June	June	Sept	Dec	March	June		
FMG	NatTreasury	1200000					229650	124411	423406	238837		Yes	
MIGProjects	MIG	9000000	5000000		2939000		903585	8532601	8316336	17650531		Yes	
EquitableShare	NatTreasury	29767628	23814102		17860577							Yes	
DEDEA							239805	806415	303221	744040		Yes	
ElectrificationProject	Province				20000000				20000000			Yes	
MSP&MSIG	DME Province		1000000				266200	430288	457562	510951		Yes	
									\$\$				
TotalGrantsandSubsidiesReceived		39967628	29814102	0	40799577	0	1639240	9893715	29500525	19144359		0	

4.2 Budget to actual comparison (See financial statements)

4.3 Grants and transfers' spending (See table below)

4.4 Meeting of Donors' requirements for conditional grants

Grant details			Amount received and spent each quarter											
Project name	Donor name	BF amount	1/04/ to 30/06		01/07 to 30/09		01/10 to 30/12		01/01 to 30/03		01/04 to 30/06		Total	
			Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
FMG	Nat Treasury	177 178			1,200,000	229650		124411		423406		416015		
MSIG	Nat Treasury	667 091			790,000	226200		430288		457562		510951		
MIG		531 9140			9000000	903585	5000000	8532601	2939000	8316336		17650531		
Dedea						239805		806415		303221		744040		
Electrification					20000000			20,000,000						
Equitable share					29767628		23814102				17860577			

4.5 Municipality Long term contracts

The municipality has the following long term contracts:

Name of Provider	Term of Contract	Remaining period for contract end
Fleet Africa	5 years	3 year before end
Konita Minolta	5 years	3 year before end

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R 98, 315, 080	R 66, 700, 549	67.84%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R 42,444,488	R31, 699, 079	74.68%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	R59,300, 074	R 57, 975, 295	97.77%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R 68, 827,165	R 18, 950, 203	27.53%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction			
6	Percentage of MIG budget appropriately spent	R23, 939, 000	R 35,403,503	100%
7	Percentage of MSIG budget appropriately spent	R 1, 667, 091	R 1, 665, 001	100%

4.7 The Auditor General Reports

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE UMZIMVUBU LOCAL MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umzimvubu Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages XX to XX

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (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, 2010 (Act No.1 of 2010 as amended) (DoRA), as well as for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umzimvubu Local Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

9. With reference to note 40 to the financial statements, contingent liabilities of R27 790 500 are disclosed as the municipality is the defendant in ongoing court proceedings. The ultimate outcome of the matters disclosed cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of comparative figures

10. As disclosed in note 29 to the financial statements, the comparative figures for 30 June 2010 have been restated. The restatement resulted from errors that have been discovered during the financial year ended 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Unauthorised Expenditure

11. The municipality incurred unauthorised expenditure of R 33 463 126 as a result of exceeding the total amount of the VOTE, as disclosed in note 32 of the annual financial statements.

Material Impairments

12. In note 3 of annual financial statements the municipality has disclosed an impairment loss amounting to R5 727 567 (2010: R 3 626 829). The impairment results from debtor balances which are not recoverable as at 30 June 2011.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

PREDETERMINED OBJECTIVES

Presentation of information

14. The following criterion is relevant to the finding below:

- Performance against predetermined objectives is reported using the National Treasury guidelines.

Audit finding

15. **Strategic objectives were not recorded on the annual performance report**

- The annual performance report submitted for audit purposes did not reflect any strategic objectives as required by the National Treasury guidelines.

Usefulness of information

16. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents.

- Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets.
- Measurability: Indicators are well defined and/or verifiable, and targets are specific, and/or measurable and/or time bound.

Audit findings

17. **Reported objectives and indicators are not complete when compared with the planned objectives and indicators**

The indicators relating to the budget and treasury programme, citizens and community services programme and infrastructure and planning programme were not completely reported on the annual performance report.

- For budget and treasury, 21% of indicators were not reported.
- For citizens and community services, 63% of indicators were not reported.
- For infrastructure and planning, 93% of indicators were not reported.

18. **Annual performance report not complete**

- Twenty-six per cent of the planned and reported targets for programme 6: Department of Citizens and Community were not reported on in the annual performance report.

COMPLIANCE WITH LAWS AND REGULATIONS

19. Included below are findings on material non-compliance with laws and regulations applicable to the municipality.

Strategic planning and performance management

20. The accounting officer of the municipality did not, by 25 January, assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1) (a)(ii) of the MFMA.

Annual financial statements, performance and annual report

21. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of capital assets, current assets and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal audit

22. Internal audit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation as required by section 165(2)(b) of the MFMA.

Procurement and contract management

23. The contract performance measures and methods whereby they are monitored were insufficient to ensure effective contract management, as per the requirements of section 116(2)(c) of the MFMA.

24. Awards were made to providers who are persons in service of the municipality, in contravention of SCM regulation 44. Furthermore, the providers failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c).
25. Awards were made to providers who are persons in service of other state institutions, in contravention of the requirements of SCM regulation 44. Furthermore, the provider failed to declare that he/she is in the service of the state, as required by SCM regulation 13(c).
26. Persons in service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).

Expenditure management

27. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

28. Interest was not charged on all arrears accounts, as required by section 64(2)(g) of the MFMA.
29. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
30. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA.
31. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounted for debtors, as required by section 64(2)(e) of the MFMA.

Asset management

32. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality, as required by section 63(2)(a) of the MFMA.
33. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA.

INTERNAL CONTROL

34. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the material audit adjustments, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

35. The accounting officer did not exercise oversight responsibilities regarding the financial-related controls, as evidenced by material misstatements in the transactions, balances, and disclosure line items that were identified during the audit process, that were subsequently adjusted by management. The accounting officer also did not have adequate monitoring controls to ensure adherence to the internal policies and procedures on performance reporting, resulting in significant control deficiencies identified during the audit process in the reporting and presentation of predetermined objectives.
36. Furthermore, the accounting officer's exercise of oversight over adherence to the SCM regulations was not effective, evidenced by non-adherence to SCM regulations identified during the audit process that resulted in irregular expenditure.

Financial and performance management

37. The financial statements and report on predetermined objectives that were submitted for audit purposes contained misstatements and errors. This was mainly due to municipality staff not performing and implementing daily financial reporting controls throughout the financial year, including the daily processing of transactions, monthly reconciliations of accounting records, preparing monthly financial statements and service delivery reports. The monitoring of controls was not adequate to ensure that all transactions were accounted for accurately and completely.
38. Policies and procedures that will ensure that all transactions are accounted for, in terms of GRAP requirements, were not developed and communicated to staff members. As a result, there were material misstatements and errors not accounted for, in terms of GRAP, that were identified during the audit process.
39. Furthermore, established internal control practices were not effective as they did not detect or prevent non-compliance with laws and regulations that was identified during the audit process, resulting in the municipality incurring irregular expenditure.

Governance

40. The municipality has an audit committee that promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations, and that has performed its work with due care and as per requirements of the MFMA. Furthermore, they have discharged their responsibilities as required by the MFMA.

41. However, audit committee interventions or mechanisms used were not appropriate and sufficient as they could not prevent and detect significant control deficiencies in the municipal internal control system, as evidenced by material misstatements that were identified during the audit process and subsequently corrected by management, weaknesses identified in reporting of predetermined objectives and non-compliance with SCM regulations. Furthermore, internal audit did not adequately monitor the implementation of its recommendations by management.

Auditor-General

East London

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



FINAL MANAGEMENT REPORT

UMZIMVUBU LOCAL MUNICIPALITY

30 JUNE 2011

MANAGEMENT REPORT

UMZIMVUBU LOCAL MUNICIPALITY

30 JUNE 2011

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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE UMZIMVUBU LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

INTRODUCTION

1. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with laws and regulations for the year ended 30 June 2011 which were communicated to management and includes their response to these findings. The report also includes information on the internal control deficiencies that were identified. Addressing these deficiencies will assist in ensuring an improvement in the audit outcomes.
2. The management report consists of executive summary and detailed audit findings which are contained in annexure A, B and C.

THE AUDITOR-GENERAL'S RESPONSIBILITIES

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), our responsibility is to express an opinion on the financial statements and to report on findings relating to our audit of the report on predetermined objectives and compliance with material matters in laws and regulations applicable to the entity. Our engagement letter sets out our responsibilities in detail. These include the following:
 - Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the report on predetermined objectives and compliance with laws and regulations applicable to the entity. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, the report on predetermined objectives and material non-compliance with laws and regulations.
 - Considering internal controls relevant to the entity's preparation and fair presentation of the financial statements, the report on predetermined objectives and compliance with laws and regulations.
 - Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
 - Evaluating the appropriateness of systems and processes that ensure the accuracy and completeness of the financial statements, the report on predetermined objectives and compliance with laws and regulations.
4. Because of the test nature and other inherent limitations of an audit, we do not guarantee the completeness and accuracy of the financial statements or the report on predetermined objectives or compliance with all applicable laws and regulations.
5. Having formed an opinion on the financial statements, we may include additional communication in the auditor's report that does not have an effect on the auditor's opinion. These may include:
 - an emphasis of matter paragraph to draw users' attention to a matter presented or disclosed in the financial statements which is of such importance that it is fundamental to their understanding of the financial statements.
 - an additional matter paragraph to draw users' attention to any matter, other than those presented or disclosed in the financial statements, that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.



THE ACCOUNTING OFFICER'S RESPONSIBILITIES

6. The accounting officer's responsibilities are set out in detail in the engagement letter. These include the following:
- The preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).
 - Planning, monitoring of and reporting on performance against predetermined objectives.
 - Review and monitoring of compliance with laws and regulations and disclosing known instances of non-compliance or suspected non-compliance with laws and regulations.
 - Designing, implementing and maintaining proper record keeping and internal controls necessary to enable the preparation of financial statements and the report on predetermined objectives that are free from material misstatement whether due to fraud or error, and compliance with laws and regulations.
 - Designing and implementing formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.
 - Implementing appropriate risk management activities to ensure that regular risk assessments are conducted.
 - Disclosing all matters concerning any risk, allegation or instance of fraud.
 - Accounting for and disclosing related-party relationships and transactions.
 - Providing access to all information that is relevant to the preparation of the financial statements and performance information, such as records and documents.

EXECUTIVE SUMMARY**SECTION 1: Meetings with oversight bodies and those charged with governance**

7. During the audit cycle we met with key stakeholders to communicate matters relating to the audit outcomes of the municipality and emerging risks. Insight was provided on the key controls that impact these audit outcomes to enable corrective action to be taken.
8. Meetings were conducted as follows:
- Executive Council
 - ✓ 31 January 2011
 - ✓ 30 September 2011
 - Executive authority
 - ✓ 31 January 2011
 - ✓ 09 August 2011
 - ✓ 09 September 2011
 - ✓ 30 September 2011
 - ✓ 14 November 2011
 - Accounting Officer
 - ✓ 02 August 2011
 - ✓ 23 August 2011
 - ✓ 09 September 2011
 - ✓ 19 September 2011
 - ✓ 13 October 2011
 - ✓ 27 October 2011



- ✓ 14 November 2011

Audit Committee

- ✓ 25 February 2011
- ✓ 05 May 2011
- ✓ 10 June 2011
- ✓ 19 August 2011
- ✓ 14 November 2011

9. At these meetings commitments were made to address improvements in the internal control environment with the objective of achieving clean administration. Progress made on these commitments is discussed later in this report.



SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT

PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS

10. Material misstatements in the financial statements were identified during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with the laws and regulations applicable to municipalities. The misstatements identified during the audit were subsequently corrected.

Material misstatements		Impact	Internal control deficiency
Financial statement item	Finding (brief description of misstatements as per findings and audit report)		
Material misstatements corrected			
Trade and other receivables	Household and other receivables are overstated as we could not verify their existence as at 30 June 2011.	R915 820	<p>Leadership</p> <ul style="list-style-type: none"> Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored <p>Financial and performance management</p> <p><i>Quality, reliable monthly financial statement and management information</i></p> <ul style="list-style-type: none"> The entity does not have competence individuals who understand the financial reporting framework and performance management requirement. (Competence also refers to



Material misstatements		Impact	Internal control deficiency
Financial statement item	Finding (brief description of misstatements as per findings and audit report)		
PPE-Other movements (Infrastructure assets)	No supporting documentation in relation to opening balance disclosed in note 7 to the financial statements.	R R2 683 101	<p>knowledge of the controls and related processes).</p> <p>Leadership</p> <ul style="list-style-type: none"> Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored <p>Financial and performance management</p> <p><i>Quality, reliable monthly financial statement and management information</i></p> <ul style="list-style-type: none"> The entity does not have competence individuals who understand the financial reporting framework and performance management requirement. (Competence also refers to knowledge of the controls and related processes). <p>Leadership</p> <ul style="list-style-type: none"> Implement effective HR management to ensure that
PPE-Other movements (Land and building and community assets).	No supporting documentation in relation to opening balance disclosed in note 7 to the annual financial statements.	(R2 683 101)	



Material misstatements		Impact	Internal control deficiency
Financial statement item	Finding (brief description of misstatements as per findings and audit report)		
		R	adequate and sufficiently skilled resources are in place and that performance is monitored Financial and performance management <u>Proper record keeping and record management</u> <ul style="list-style-type: none"> the documents supporting the above are not properly filed and easily retrievable.
Investment Property	Investment property is overstated as infrastructure assets (road R662 5000) and assets belonging to the department of Public works (R3 146 000), were incorrectly presented as investment property.	R3 808 500	Leadership <ul style="list-style-type: none"> Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored Financial and performance management <u>Quality, reliable monthly financial statement and management information</u> <ul style="list-style-type: none"> Management and staff do not fulfil their duties and responsibilities.
PPE-Land	Land disclosed at R1 value instead of fair value therefore land is understated.	R 10 790 500	Leadership



Material misstatements		Impact	Internal control deficiency
Financial statement item	Finding (brief description of misstatements as per findings and audit report)		
Irregular expenditure	<p>Understatement of Irregular expenditure form non-compliance with Supply Chain Management regulation.</p> <ul style="list-style-type: none"> Ex 07 – Non-compliance with Regulation (R22 821 414). Ex 07 – Fleet Africa (R 804 743) Ex 117 – Award to persons in the service of the state (414R 759 047) 	R 24 385 204	<p>Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored</p> <p>Financial and performance management</p> <p><i>Quality, reliable monthly financial statement and management information</i></p> <ul style="list-style-type: none"> The entity does not have competent individual who understand the financial reporting framework and performance management requirements. (Competence also refers to knowledge of controls and related processes). <p>Leadership</p> <p><i>Oversight responsibility</i></p> <ul style="list-style-type: none"> The accounting officer do not exercise oversight responsibility over reporting and compliance with laws and regulations and internal controls.



PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS

EMPHASIS OF MATTER PARAGRAPHS

An emphasis of matter paragraph will be included in our auditor's report to highlight the following matters to the users of the financial statements:

Significant uncertainties

11. With reference to note 40 to the financial statements, contingent liabilities of R27 790 500 are disclosed as the municipality is the defendant in ongoing court proceedings. The ultimate outcome of the matters disclosed cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of comparative figures

12. As disclosed in note 29 to the financial statements, the comparative figures for 30 June 2010 have been restated. The restatement resulted from errors that have been discovered during the financial year ended 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Unauthorised Expenditure

13. The municipality incurred unauthorised expenditure of R 33 463 126 as a result of exceeding the total amount of the VOTE, as disclosed in note 32 of the annual financial statements.

Material Impairments

14. In note 3 of annual financial statements the municipality has disclosed an impairment loss amounting to R5 727 567 (2010: R 3 626 829). The impairment results from debtor balances which are not recoverable as at 30 June 2011.

ADDITIONAL MATTER PARAGRAPHS

An additional matter paragraph will be included in our auditor's report to highlight the following matters to the users of the financial statements:

Unaudited supplementary schedules

15. The supplementary information set out on pages XXX to XXX does not form part of the financial statements and is presented as additional information. We have not audited these schedule(s) and, accordingly, we do not express an opinion thereon.

PART C – REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

FINDINGS ON THE REPORT ON PREDETERMINED OBJECTIVES

Included below are the findings raised during our audit of the report on predetermined objectives.

Presentation of information

16. The following criterion is relevant to the finding below:



- Performance against predetermined objectives is reported using the National Treasury guidelines.

Audit finding

17. Strategic objectives were not recorded on the annual performance report

- The annual performance report submitted for audit purposes did not reflect any strategic objectives as required by the National Treasury guidelines.

Usefulness of information

18. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents.
- Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets.
- Measurability: Indicators are well defined and/or verifiable, and targets are specific, and/or measurable and/or time bound.

Audit findings

19. Reported objectives and indicators are not complete when compared with the planned objectives and indicators

The indicators relating to the budget and treasury programme, citizens and community services programme and infrastructure and planning programme were not completely reported on the annual performance report.

- For budget and treasury, 21% of indicators were not reported.
- For citizens and community services, 63% of indicators were not reported.
- For infrastructure and planning, 93% of indicators were not reported.

20. Annual performance report not complete

- Twenty-six per cent of the planned and reported targets for programme 6: Department of Citizens and Community were not reported on in the annual performance report.

FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS

21. Included below are findings on material non-compliance with laws and regulations applicable to the municipality.

Strategic planning and performance management

22. The accounting officer of the municipality did not, by 25 January, assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1) (a)(ii) of the MFMA.

Annual financial statements, performance and annual report



23. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of capital assets, current assets and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal audit

24. Internal audit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation as required by section 165(2)(b) of the MFMA.

Procurement and contract management

25. The contract performance measures and methods whereby they are monitored were insufficient to ensure effective contract management, as per the requirements of section 116(2)(c) of the MFMA.
26. Awards were made to providers who are persons in service of the municipality, in contravention of SCM regulation 44. Furthermore, the providers failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c).
27. Awards were made to providers who are persons in service of other state institutions, in contravention of the requirements of SCM regulation 44. Furthermore, the provider failed to declare that he/she is in the service of the state, as required by SCM regulation 13(c).
28. Persons in service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).

Expenditure management

29. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

30. Interest was not charged on all arrears accounts, as required by section 64(2)(g) of the MFMA.
31. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
32. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA.
33. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounted for debtors, as required by section 64(2)(e) of the MFMA.



Asset management

34. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality, as required by section 63(2)(a) of the MFMA.
35. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA.

INTERNAL CONTROL

Achievement of internal control objectives

36. Significant deficiencies that resulted in the basis for the [qualified/adverse/disclaimed] opinion, findings on the report on predetermined objectives and findings on compliance with laws and regulations are summarised below. Detailed information on significant internal control deficiencies is provided in section 5 of this report.

Leadership

37. The accounting officer did not exercise oversight responsibilities regarding the financial-related controls, as evidenced by material misstatements in the transactions, balances, and disclosure line items that were identified during the audit process, that were subsequently adjusted by management. The accounting officer also did not have adequate monitoring controls to ensure adherence to the internal policies and procedures on performance reporting, resulting in significant control deficiencies identified during the audit process in the reporting and presentation of predetermined objectives.
38. Furthermore, the accounting officer's exercise of oversight over adherence to the SCM regulations was not effective, evidenced by non-adherence to SCM regulations identified during the audit process that resulted in irregular expenditure.

Financial and performance management

39. The financial statements and report on predetermined objectives that were submitted for audit purposes contained misstatements and errors. This was mainly due to municipality staff not performing and implementing daily financial reporting controls throughout the financial year, including the daily processing of transactions, monthly reconciliations of accounting records, preparing monthly financial statements and service delivery reports. The monitoring of controls was not adequate to ensure that all transactions were accounted for accurately and completely.
40. Policies and procedures that will ensure that all transactions are accounted for, in terms of GRAP requirements, were not developed and communicated to staff members. As a result, there were material misstatements and errors not accounted for, in terms of GRAP, that were identified during the audit process.



41. Furthermore, established internal control practices were not effective as they did not detect or prevent non-compliance with laws and regulations that was identified during the audit process, resulting in the municipality incurring irregular expenditure.

Governance

42. The municipality has an audit committee that promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations, and that has performed its work with due care and as per requirements of the MFMA. Furthermore, they have discharged their responsibilities as required by the MFMA.
43. However, audit committee interventions or mechanisms used were not appropriate and sufficient as they could not prevent and detect significant control deficiencies in the municipal internal control system, as evidenced by material misstatements that were identified during the audit process and subsequently corrected by management, weaknesses identified in reporting of predetermined objectives and non-compliance with SCM regulations. Furthermore, internal audit did not adequately monitor the implementation of its recommendations by management.

SECTION 3: SPECIFIC FOCUS AREAS

PART A – SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT

Irregular Expenditure

44. The R24 385 204 irregular expenditure was incurred in the period as a result of the contravention of Supply Chain Management Regulation and was identified during the audit process.

Non Compliance with Regulation (R22 821 414)

- Tenders amounting to more than R10 million or a 5 year period was not advertised for 30 days as required.
- Fleet Africa -(R804 743)
 - a. As a winning bidder Fleet Africa amongst other winning bidder included above did not submit their financial statements as required by the act.

Awards to persons in the service of the state (R759 047).

- It was discovered that 27 suppliers who did business with the municipality were noted to be on the service of the state and these were not disclosed in the interest records by the suppliers



SECTION 4: SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**PART A – ASSESSMENT OF THE ACHIEVEMENT OF CONTROL OBJECTIVES**

45. The achievement of the objectives of internal control is demonstrated by the implementation of key controls. The assessment below is based on significant deficiencies relating to the fair presentation of the financial statements, material misstatements corrected as a result of the audit, findings on predetermined objectives and findings on non-compliance with laws and regulations. Significant deficiencies occur when internal controls either do not exist or are not appropriately designed to address the risk or are not implemented and which either had or could cause the financial statements or report on predetermined objectives to be materially misstated and material non-compliance with laws and regulations to occur. When a significant deficiency is not applicable, it is assessed with a 😊, 😐 to indicate that the deficiency still exists but significant progress had been made to address it, while 😡 indicates that urgent attention to the matter is required. Part B gives additional information on the deficiencies that should be addressed. Other deficiencies in internal control, which require the attention of management, are included in the detailed findings attached to this report.



3 Audit dimensions Fundamentals of internal control	Financial	Performance objectives	Compliance with laws and regulations
	Assessment		
Leadership			
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity	☹	☹	☹
• Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	☹	☹	☹
• Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	☹	☹	☹
• Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	☹	☹	☹
• Develop and monitor the implementation of action plans to address internal control deficiencies	☹	☹	☹
• Establish an IT governance framework that supports and enables the business, delivers value and improves performance	☹	☹	☹
Financial and performance management			
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	☹	☹	☹
• Implement controls over daily and monthly processing and reconciling of transactions	☹	☹	☹
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	☹	☹	☹
• Review and monitor compliance with applicable laws and regulations	☹	☹	☹
• Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information	☹	☹	☹
Governance			
• Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored	☹	☹	☹
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively	☹	☹	☹
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations	☹	☹	☹



PART B – DETAILS CONCERNING THE ACHIEVEMENT OF INTERNAL CONTROL OBJECTIVES

LEADERSHIP

Oversight responsibility regarding reporting and compliance

46. The municipality's controls are in place relating to oversight responsibilities but are not appropriately designed and were not working throughout the year to ensure that the municipality adheres to the following:
- Compliance with laws and regulations,
 - have reliable accounting system and properly designed internal controls in place to prepare and produce reliable financial information, predetermined objectives report and prevent and/or detect fraudulent activities around supply chain management,
 - achieved their targets, thus resulting to improve service delivery.
47. Although the accounting officer reviewed the financial statement and the reports on predetermined objectives prior to submission for audit, the review was not effective, as the following matters were identified.
- misstatement of the statement of financial performance, statements of financial position, statement of changes in net assets and disclosure notes as result of information per the accounting record not agreeing to supporting documents and non compliance with GAP.
 - We could not test the logical link between IDP, SDSIP and the annual performance report as it was not clear i.e., there were no objectives indicated as required by the National Treasury Guidelines.

Effective human resource management

48. There are no adequate and sufficient skilled resources in place at units that are responsible for implementing daily controls and accounting record. This was evident by the number of errors identified in the financial statement as well as lack prompt assistance when requesting explanation on figures disclosed in the financial statement.

Implementation of policies and procedures

49. The internal policies and procedures of the Umzimvubu municipality did not adequately address the processes pertaining to the planning, monitoring, managing and reporting of performance information at the overall performance management level and programme level.

Establishment of an IT governance framework

50. IT Service Level Agreement (SLA) between the municipality and vendors are not being periodically monitored to ensure the service being provided is acceptable. In addition, the municipality does not have formal information Technology (IT) strategic plan to give direction to IT functions. There is also no formal IT Project Management Framework which defined the scope and boundaries for managing projects.

The above exception is due to management not being aware of the need to exercise oversight over the IT function.



FINANCIAL AND PERFORMANCE MANAGEMENT

Availability of expected information

51. As indicated in our engagement letter, we agreed that all information requested for purposes of the audit would be submitted within 3 working days of the request by the auditors. Despite this agreement, management did not supply the documentation requested in the following instances:

- All responses relating to queries raised on the financial statement issues were delayed due to the consultant not being on site resulting to delay with the audit process

Formal control over IT systems

52. The municipality has rectified some of the exception reported in the previous Auditor General review. The following is a summary of the findings and their causes per each focus area.

- **Security Management**

There was no evidence available to show that the IT security policy was formally approved by management. This exception is attributed to the failure by management to effectively exercise its oversight role over the IT function

- **User access Control**

There was no evidence available to show that the account management policy was approved by management. In addition periodic reviews of user on the network, Munsoft and Payday are not being conducted to ensure they remain aligned to job requirements. These exceptions are a result of the failure by management to effectively exercise its oversight role over the IT function.

- **Programme Change Management**

Formal change management policy and adequate documents are not in place and management did not have such controls implemented

- **Facilities and environment control**

There was no evidence to show that the fire suppression and temperature control equipment was being periodically serviced. These exceptions are a result of the failure by management to effectively exercise its oversight role over the IT function.

- **Information Technology Service Continuity**

The municipality does not have formally documented IT disaster Recovery Plan (DRP) and a formal backup policy. Backups are not being periodically tested. These exceptions are a result of the failure by management to exercise its oversight role over the IT function.

- **Use of consultants for financial statement preparation**

The entity used consultants to prepare the annual financial statement whilst having skilled employees. The appointment was made in lieu of transition from directive 4 to fully complying with GRAP statement. Even though consultants were used to prepare the financial statements there was no evidence that there was a transfer of skills to the staff at



the municipality as a result some of the queries from the auditors were not timorously attended to. In addition information given to consultants was incorrect resulting to material errors identified during the time of the audit.

Accuracy and completeness of financial statements and report on predetermined objectives

53. Controls that were designed by management were not working effectively, as financial statements contained few material misstatements that have been submitted to management for correctness, this was due to misinterpretation of GRAP and people involved in daily transaction not being aware of how the figures in the financials were formed. Pertinent information is not identified and captured in an appropriate manner to support performance reporting as no evidence obtained to confirm the accuracy of the number of hours spent on achieved targets.

GOVERNANCE

Internal audit

54. Most of the internal audit functions have been outsourced resulting to them not spending enough time in assisting the municipality in achieving tightening the internal controls as required by the law. There are also limitation posed by the fact that internal audit has a three year plan which limits them from concentrating on all matter relevant in one financial year.
55. Although the in house internal audit member is reporting directly to the municipal manager, she is at an assistant manager level therefore posing a risk that she will not get adequate assistance from other managers when information is requested. Furthermore the daily controls weaknesses were not monitored and followed by the in house internal audit to make sure that different sections have been addressed.

PART C – ACTIONS TAKEN TO ADDRESS MATTERS PREVIOUSLY REPORTED

Executive officer/Executive authority/Municipal council

56. The municipality council through Honourable Mayor and Honourable Speaker have committed to provide political leadership over the fiscal and financial affairs of the municipality through making sure that the municipality has stable council, that adheres to the rules and regulations and provide oversight role without interfering with the administration responsibilities of the municipality, thus making sure that the municipality has clean administration that will result to clean audit by 2014. During the audit process the Honourable Mayor and Chairman of Portfolio Committee Finance attended and participated in audit steering committee meetings as evidence of their commitment

Accounting officer

57. The municipal manager have committed in improving effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interest of the entity, making sure he leads municipality towards clean administration that will result to clean audit by 2014. During the year the municipality manager has monitored and provided guidance on the implantation of action plans to address internal control deficiencies. Furthermore the municipal manager attended and participated all the audit steering committee and audit committee meetings as evidence of his committed towards improving the financial administration of municipality.



Chief financial officer

58. The Chief Financial Officer (CFO) developed and implemented the action plan to address the prior year issues that were reported in the audit report. He developed internal controls to address the prior year issues and made sure they were not recurring. During the audit process then CFO provided auditors within information to avoid the limitation of scope that will result to municipality getting limitation modified report.

Audit Committee

59. Audit committee has committed to assist municipal manager and the council in improving the financial administration of the municipality through oversight role. The audit committee has met more than five time during the current financial year off which is above the normal business practise of four times, through the meetings they have provided critical analysis of the municipality internal controls, assisted the municipality on how to clear the issues raised by the auditors in previous year, and provided recommendations on how to improve financial management of the municipality. Furthermore the audit committee was involved in municipality staff assessment throughout the year performance management.

PART D – EMERGING RISKS**Accounting and compliance matters**

60. As disclosed in the note 1.6 of the financial statements the following GRAP standards are not yet effective;

- GRAP 18 Segment Report
- GRAP 21 Impairment of Non-cash generated Assets
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

61. Application of all the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This municipality will be required to comply in full with the disclosure requirements of the GRAP standards when the effective date is announced.

62. The Local Government: Municipality System Amendment Bill was signed in to laws at the start of the 2011/2012 financial year. The municipality should implement appropriate systems and internal controls in place to move towards full compliance with the bill.

SECTION 5: RATINGS OF DETAILED AUDIT FINDINGS

63. For the purposes of this report, the detailed audit findings included in annexures B to C have been classified as follows:

- Other important matters – These matters should be addressed to achieve clean administration.

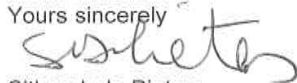


- Administrative matters – These matters are unlikely to affect the decisions of the users of the financial statements or performance information and should be addressed at the discretion of the entity.

SECTION 6: CONCLUSION

64. The matters communicated throughout this report relate to the three fundamentals of internal control which should be addressed to achieve sustained clean administration. The AGSA staff remain committed to assisting in the process of identifying and communicating good practices to improve governance and accountability, so as to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely



Sithembele Pieters
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30 November 2011

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4.8 Situation of arrears in property rates and service charges

5. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1 Overview of the Executive and Council functions and achievements

Umzimvubu Municipality functions under the Collective Executive System consisting of nine Executive Committee members with forty seven Councillors. The Council has six portfolio committees each headed by the member of the Executive Committee. These committees were mandated by Council to oversee the functioning of the portfolios through ensuring that regular meetings are held as scheduled and relevant issues that affect service delivery were discussed.



5.2 Public Participation and consultation

The Umzimvubu local Municipality has developed and adopted a communication strategy which have been guided and informed by government policy for the achievement of maximum public participation and improved internal communications. The communication strategy has been developed in response to section 6 (3) B of the Constitution of the Republic of South Africa which stipulates that the municipality must take into account the language usage and the preference of their communities in communication. The Municipality uses the following channels of communications: Schools, Ward committees, Media, Community Meetings, Events, Posters, NGO's, CBO's, Newsletter, FBO's, Traditional Authorities, Exhibition and Information Days, Councillors, Imbizo Outreach, Government Officials, Fora, Word of Mouth, Local Community Radio Station and Information Resource Centre

5.3 Ward committees establishment and functionality

Ward committees were established in line with provincial guidelines. There were inducted and trained as per the provisions of the legislation and funding support has been received from the Department of Local Government.

5.4 Community Development Workers performance monitoring

The Community Development Workers were appointed by the Department of Local Government and only report to the municipality through coordinated meetings. The main challenge is that the number of ward committees is not equated to the number of wards and there are no replacement or filling of existing vacancies.

5.5 Communication Strategy

The municipality adopted the Communication Strategy in October 2009 aimed enabling Both Council and Management, to communicate in an efficient, co-ordinated, integrated and coherent fashion thus building capacity, both human and capital, within the Municipality with a view of ensuring that the municipality's central messages will be well articulated at all spheres of government. Road shows, Izimbizos, radio talk shows and general advertisement on papers is done in line with the plan. Ward committees are utilised as major links between communities and Council.

5.6 Anti-Corruption Strategy

The municipality adopted an Anti-Corruption Strategy however the implementation will commence during 2011/2012 financial year.

5.7 Intergovernmental Relations

The municipality did not develop any new IGR framework during the year under review. The Umzimvubu Local Municipality is in the process of developing a new IGR framework in the year under review. The Umzimvubu Local Municipality however maintained its form of the existing IGR structures especially at District Level which includes District Mayors Forum, Municipal Managers forum, District Communicators Forum, District aids council. The municipality has been having challenges in participation of sector department in its meeting. The municipality took an approach of engaging sector department in form of IGR through IDP structural meeting (e.g. IDP Steering Committee). The municipality has managed to have two collaborative meetings and participated in all IGR meeting and forums under Alfred Nzo District Municipality. However it should be noted though that there are departments which are committed to the process while others are not participating in the IGR structures. This then leads to disintegrated service delivery or undermines integrated development. IGR structures also do form part of processes that review spatial frameworks. Service level agreements are being entered into where services are to be provided collaboratively by different departments

Below is the table illustrating attendance of these committees by Councillors:

Ordinary and Special Council Meetings:

No.	Members of committee	Ordinary Council Meeting			Special Council Meeting		
		Number of ordinary meetings scheduled	Number of meetings attended	Number of meetings absent	Number of ordinary meetings scheduled	Number of meetings attended	Number of meetings absent
1.	Cllr S Tshekela	5	5	0	2	2	0
2.	Cllr M Mataka	5	5	0	2	2	0
3.	Cllr K Phangwa	5	5	0	2	1	1
4.	Cllr M Mzaza	5	4	1	2	1	1
5.	Cllr A Senzela	5	4	1	2	0	2
6.	Cllr ZA Gwebani	5	4	1	2	2	0
7.	Cllr M Ntsengwane	5	4	1	2	0	2
8.	Cllr A N Mjokane	5	4	1	2	2	0
9.	Cllr SP Myingwa	5	4	1	2	1	1
10.	Cllr EL Sithuba	5	4	1	2	0	2
11.	Cllr SK Mnukwa	5	5	0	2	1	1
12.	Cllr NP Mngonywa/ Cezula	5	5	0	2	1	1
13.	Cllr MV Makaula	5	5	0	2	0	2
14.	Cllr LM Mqqaimbane	5	4	1	2	2	0
15.	Cllr N Kwapuna	5	4	1	2	2	0
16.	Cllr Mabumbulu	5	2	3 (joined the CouData later stage)	2	1	1 (joined the Council at a later stage)
17.	Cllr BZ Diko	5	4	1	2	0	2
18.	Cllr MS Socikwa	5	3	2	2	2	0
19.	Cllr M Jeke	5	5	0	2	2	0
20.	Cllr X Lungu	5	4	1	2	2	0

21.	Cllr MV Mapekula	5	4	1	2	2	0
22.	Cllr UG Makanda	5	5	0	2	2	0
23.	Cllr P Mbedu	5	4	1	2	2	0
24.	Cllr AV Jakalase	5	4	1	2	2	0
25.	Cllr BP Mabengu	5	4	1	2	1	1
26.	Cllr NM Ndabambi	5	4	1	2	1	1
27.	Cllr NG Mdzinwa	5	5	0	2	1	0
28.	Cllr H Dandala	5	5	0	2	2	0
29.	Cllr M Mpepanduku	5	3	2	2	1	1
30.	Cllr C Mthethandana	5	5	0	2	2	0
31.	Cllr TS Msindwana	5	4	1	2	2	0
32.	Cllr AN Garane	5	5	0	2	2	0
33.	Cllr ZR Songqishe	5	4	1	2	1	1
34.	Cllr NE Fikeni	5	5	0	2	1	1
35.	Cllr LD Mgoqozi	5	4	1	2	1	1
36.	Cllr Z Ndevu	5	5	0	2	2	0
37.	Cllr EN Ngalongulu-Lebelo	5	5	0	2	1	1
38.	Cllr LL Nqasha	5	4	1	2	2	0
39.	Cllr N Gcadinja	5	4	1	2	2	0
40.	Cllr X Jona	5	3	2	2	2	0
41.	Cllr N Duba	5	4	1	2	0	2
42.	Cllr IK Magaya	5	4	1	2	2	0
43.	Cllr N Mbele	5	5	0	2	,.1	1
44.	Cllr SG Mandlana	5	5	0	2	2	0
45.	Cllr PK Thingathinga	5	5	0	2	2	0
46.	Cllr SP Gqoli	5	5	0	2	1	1
47.	Cllr N Mpanda	5	4	1	2	1	1

Executive Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr PB Mabengu	12	10	10	0
Cllr ZA Gwebani	12	10	5	5
Cllr EN Ngalonkulu-Lebelo	12	10	9	1
Cllr MM Jeke	12	10	8	2
Cllr SK Mnu kwa	12	10	6	4
Cllr Z Ndevu	12	10	10	0
Cllr N Gcadinja	12	10	10	0
Cllr LL Nqatsha	12	10	10	0
Cllr PK Thingathinga	12	10	9	1

Oversight Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr S G Mandlana	2	2	2	0
Cllr N Ntsengwane	2	2	2	0
Cllr N Mbele	2	2	1	1
Cllr N Mndzinwa	2	2	0	2
Cllr N Mpanda	2	2	2	0
Cllr C Mthethandaba	2	2	2	0

Planning and Infrastructure Portfolio Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr S Mnu kwa	12	9	6	3
Cllr L Nqatsha	12	9	7	2
Cllr N Duba	12	9	4	5
Cllr M Mataka	12	9	8	1
Cllr M Mdzinwa	12	9	2	7
Cllr N Ndabambi	12	9	3	6
Cllr Ntsengwane	12	9	5	4
Cllr Mbele	12	9	3	6
Cllr Socikwa	12	9	2	7

Budget & Treasury Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr M M Jeke	12	6	6	0
Cllr N Kwapuna	12	6	6	0
Cllr Mthethandaba C	12	6	4	2
Cllr P Mbedu	12	6	5	1
Cllr K Magaya	12	6	1	5
Cllr L Mgoqozi	12	6	5	1
Cllr S G Mandlala	12	6	5	1

Special Programmes & Communications Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr N N Gcadinja	12	9	6	3
Cllr Mjokane	12	9	4	5
Cllr LL Ngatsha	12	9	5	4
Cllr Jona	12	9	7	2
Cllr B Z Diko	12	9	4	5
Cllr L Sithuba	12	9	4	5
Cllr Makaula	12	9	6	3
Cllr Lungu	12	9	4	5
Cllr Mabhumbulu	12	9	1	8 (joined the Standing Committee at a later stage)

Citizen & Community Services Portfolio Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr Z Gwebani	12	7	4	3
Cllr V Bulana	12	7	6	1
Cllr N Fikeni	12	7	4	3
Cllr N Mapekula	12	7	5	2
Cllr A Jakalase	12	7	5	2
Cllr A Mjokane	12	7	5	2
Cllr K Magaya	12	7	2	5
Cllr P Gqoli	12	7	3	4

Corporate Services Portfolio Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr Ndevu	12	9	9	0
Cllr Phangwa	12	9	7	2
Cllr Mbele	12	9	5	4
Cllr Msindwana	12	9	8	1
Cllr Mpepanduku	12	9	7	2
Cllr Makuala	12	9	4	5
Cllr Thingathinga	12	9	9	0
Cllr Dandala	12	9	9	0

LED Committee

Members of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr EN Ngalonkulu	12	9	7	2
Cllr Mpanda	12	9	6	3
Cllr Makanda	12	9	4	5
Cllr X Lungu	12	9	5	4
Cllr Garane	12	9	5	4
Cllr ZR Songqishe	12	9	3	6
Cllr SK Phangwa	12	9	4	5
Cllr M Ngqaimbana	12	9	5	4
Cllr A Senzela	12	9	3	6
Cllr M Mzaza	12	9	5	4

Local Labour Forum

Member of committee	Number of meetings scheduled	Number of meetings held	Number of meetings attended	Number of meetings absent
Cllr Z Ndevu	12	6	5	1
Cllr T S Msindwaba	12	6	5	1

5.8 Legal Matters

The legal unit is currently manned in the office of Labour Relations Section. The following firms were used during the year under review: Mdledle Incorporation, Ntayiya and Associates, Denys Reitz, Mkile Attorneys, Makaula Zilwa Attorneys, Matubatuba Attorneys, Seethal Attorneys

Management of Litigation

(a) Favourable Cases

The table below are the cases dealt with during the year 2010/2011

Citation	Name Of the Firm	Type of the Matter	Brief description of the Matter	Cases of 2 years or below	Beyond 2 years
Makeng and Other vs Umzimvubu Local Municipality	Makaula & Zilwa	Civil Matter	<p>The applicants in this matter are claiming Salaries which they allege were not in consistent with their appointment letters which the Municipality vehemently denies in that they were paid correct salaries.</p> <p>The matter is being defended by Makaula Attorneys and only the heads of arguments are outstanding.</p> <p>Municipal attorneys have been instructed to give legal opinion on further conduct of the matter as it appears that applicants as <i>dominis litis</i> are not pursuing the matter any further.</p>		Yes -2006
1.Mankayiya v Umzimvubu Local Municipality	Mdledle Incorporation	1.Civil Claim	<p>Plaintiff is claiming almost half a million rands. The applicant alleges that she was injured as a result of negligence by Municipality on the basis that the gate that fell and injured her, was not properly mounted.</p> <p>There are excellent prospects of success as the injury was not caused by negligence of the Municipality and the applicant has failed to lodge the claim within the prescribed time limits (Six Month) in that an organ of the state is required in law to be sued within 6 month from the date of the alleged offence. A special plea has thus been raised.</p>		Yes -2006

<p>2. Tumbu vs Umzimvubu Local Municipality</p> <p>3. Ndlobeni vs Umzimvubu Local Municipality</p>		<p>2. Civil Claim</p>	<p>2. The applicant is claiming damages as a result of demolition of his illegal tavern which was constructed in a land which was unlawfully invaded and not zoned for tavern. Moreover the land upon which the tavern was constructed is under land claims.</p> <p>A special plea has also been raised and there are prospects of success. Even if the Municipality were to lose the case the applicant can only be awarded compensation of bricks and construction material</p> <p>The applicant in this matter has failed to prosecute his claim against Municipality according court rules and therefore the matter stands to be dismissed. An application to dismiss the matter has been lodged in the Labour Court.</p> <p>Waiting for the Registrar of Labour Court to enroll the matter.</p>		<p>Yes-2007</p> <p>Yes -2008</p>
<p>Sikisi vs Umzimvubu Local Municipality</p>	<p>Matubatuba Attorneys</p>	<p>1. Civil Matter</p>	<p>Mr. Sikisi is claiming to have been dismissed without affording him opportunity to state his case. The matter is defended as the competence to remove a councillor is vested with MEC and Umzimvubu Municipality has complied with the necessary procedures as he was accordingly removed from office.</p>	<p>Yes 2010</p>	
<p>Sikisi vs Umzimvubu Local Municipality</p>	<p>Ntayiya Attorneys</p>	<p>Civil</p>	<p>This is defamation case against the Municipality wherein the Plaintiff is claiming to have been defamed by the former speaker .The Plaintiffs particulars of claim were not sanctioned by the Municipality and the matter has since been dismissed by the court in favour of the Municipality. Closed</p>	<p>Yes- 2010</p>	

Mbali Developers Umzimvubu Local Municipality	Deneys Reitz	Civil (Delict)	This case involves a claim for damages. Our attorneys upon consulting a senior Counsel advised us that there is no merit in the claim by Plaintiffs and the matter is accordingly defended. The matter will be resolved through arbitration process.	Yes- 2010	
Umzimvubu Local Municipality vs Jerry Khoza	Ntayiya and Company	Eviction Order	Khoza was successfully evicted for having evaded Municipal Land Closed.	Yes -2010	
Zana-Manzi Construction	Mkile Attorneys	Action for moneys owed to plaintiffs	The plaintiffs are claiming moneys for services rendered by the then Umzimvubu Local Municipality. This was before the 2005 re - delamination of boundaries. Liabilities in terms of section 12 notices are transferred to the subsequent Municipality. Therefore the Municipality is defending the matter.	Yes -2010	
Umzimvubu Local Municipality vs Zihle	Seethal Attorneys	Eviction order	Eviction of Mr. Zihle who is occupying the Municipal Land is underway.	Yes -2011	
Nyembezi and four others	Ntayiya and Company	Eviction and Demolition order	Defendants have been served with letters of demolition by the sheriff and the attorneys. Defendants are have not yet filled their answering affidavits .Should they fail to file same within time that was given to them by the court the matter will be accordingly dismissed.	Yes -2011	
Jama vs Umzimvubu Local Municipality	Madlanga Incorporation	Civil Claim	Civil claim for unlawful arrest. Exception has been raised as the Municipality was sued after more than a year.	Yes- 2010	
Umzimvubu vs A Menyo	Ntayiya and Company	Eviction order	This is an eviction order against Mr. Menyo who is illegally occupying Municipal Land. Summons has been served to him.	Yes -2011	

PART3: FUNCTIONAL AREA SERVICE DELIVERY REPORTING AND ANNEXURES

1. FUNCTIONAL AREAS SERVICE DELIVERY REPORTING

1.1 General information (population statistics) from IDP 2010/2011

Umzimvubu Local Municipality GENERAL INFORMATION			
Reporting Level	Detail	Total	
Overview:			
Information:	Statistics		
1	Geography:		
	Geographical area in square kilometers	2506 km ²	
2	Demography:		
	Total population	220 636	
3	Indigent Population		
4	Total number of voters		
5	Aged breakdown:		
	- 65 years and over		
	- between 40 and 64 years		
	- between 15 and 39 years		
	- 14 years and under		
	Note: Indicate source of information		
6	Household income:		
	- over R3,499 per month		
	- between R2,500 and R3,499 per month		
	- between R1,100 and R2,499 per month		
	- under R1,100 per month		
	Note: Indicate source of information		

1.2 Executive and Council function's performance

1.2.1 Office of the Municipal Manager



Municipal Manager: Mr. G.P.T. Nota

Divisions	Objectives
Internal Audit Integrated Development Planning	<ul style="list-style-type: none"><li data-bbox="813 835 1469 934">▪ Ensure the development, monitoring and evaluation of the implementation of the IDP within the municipality.<li data-bbox="813 970 1469 1092">▪ Ensure internal audit services are conducted within the municipality, in line with MFMA, and to take corrective action and provide regular feedback to council

1.3 Finance and Administration function's performance

1.3.1 Budget and Treasury Office



Chief Financial Officer: Mr. M. Hloba

Divisions	Objectives
Revenue management Expenditure management Budget management Asset and liability management Grants and investment Supply chain management	<ul style="list-style-type: none"><li data-bbox="659 846 1507 974">▪ To ensure that all the service delivery objectives of the municipality as outlined in the IDP document are properly budgeted for and the budget is cash backed. To also ensure that budget is compliant with the applicable legislation<li data-bbox="659 978 1507 1073">▪ To ensure that all revenue that is due to the Municipality is collected, efficiently managed to ensure long term financial sustainability of the Municipality.<li data-bbox="659 1077 1507 1276">▪ To ensure that the municipal procurement is done though an efficient competitive manner that realises value for money. This also deals with asset management which has the primary objective to ensure that all assets of the Municipality are properly utilized, Maintained and monitored so as to ensure that they can bring the economic benefits that are due to the Municipality.<li data-bbox="659 1281 1507 1472">▪ To ensure that all municipal creditors are paid on time, within the applicable legal parameters in order to ensure that they remain willing to do business with the Municipality. This also deals with payroll administration to ensure that the workforce of the municipality is rewarded accordingly for work done every month so as to maintain proper productivity levels.

1.4 Community and social services function's performance

1.4.1 Citizens and Community Development



Manager Citizens and Community Dev: Mr. M. Sineke

Divisions	Objectives
Traffic and law enforcement	▪ To provide learners and driver's license service
Disaster management	▪ Erection and maintenance of road traffic signs and surface markings
Waste management	▪ To provide vehicle worthy road service
HIV/AIDS	▪ Pound services
Community amenities	▪ Enforcements of municipal by-laws
	▪ Protection of municipal assets
	▪ Establishment of the integrated institutional capacity for effective implementation disaster risk management legislation
	▪ To ensure effective and appropriate preparedness, response and recovery
	▪ To co-ordinate HIV and AIDS programs in a sectorised integrated manner
	▪ Solid waste disposal and landfill sites management
	▪ Maintained and clean municipal amenities
	▪ Facilitation of the establishment of libraries and museums

1.5 Human resource and administration function's performance

1.5.1 Corporate Services



Corporate Services Manager: Mrs. N. Khuboni

Divisions	Objectives
Human Resources (HR) Administration Information Technology	<ul style="list-style-type: none">▪ To ensure that all matters relating to staff are well attended to by maintaining due records.▪ To ensure that employees deal with their personal, social and or economic problems and work under healthy & safe conditions.▪ To ensure that qualified employees are recruited and well versed in the running of the institution to enhance productivity and reduce labour turnover.▪ To ensure that ULM Municipal employees are well trained in improving their productivity levels.▪ To enhance representation of designated groups and address equity levels.▪ To implement a performance management system and appraisal of employees for consistent monitoring and evaluation of performance.▪ To ensure that all outstanding policies and by-laws are developed, reviewed and adopted for implementation & sound administration.▪ To ensure sound labour relations between employer and employees.▪ To have a signed plan with skeletal staff structure for the provision of services during situations such as strikes.▪ To provide constant administrative support to all Council structures

1.6 Road maintenance, Waste Management, Housing, Electricity, Planning and Development function's performance

1.6.1 Infrastructure and Planning



Manager Infrastructure and Planning: Mr. S. Ntonga

Divisions	Objectives
Roads and storm water Public facilities Infrastructure maintenance	<ul style="list-style-type: none">▪ To ensure sufficient road networking in an integrated manner▪ To ensure compliance with National Building Regulations and Standards▪ To ensure that planning & development decisions have a legal basis and are spatially considered▪ To ensure proper development of townships▪ Formalisation of peri-urban settlement▪ To improve the livelihoods of people▪ To ensure that there is social facilitation for housing and housing consumer education▪ To ensure that all municipal buildings are well maintained▪ To ensure that at least 80% of households have access to electricity▪ To ensure universal access to electricity in rural areas by 2012▪ To provide effective budgeting and expenditure control systems and practices based on legislation and best practice▪ To ensure that revenue is collected by introducing strategies and mechanisms▪ To ensure the preparation and submission of financial reports for grants funding on behalf of the municipality▪ To ensure that there is smooth departmental administration.

1.7 Local Economic Development function's performance

1.7.1 Local Economic Development



Manager Local Economic Development: Ms. P. Vitshima

Divisions	Objectives
Local Economic Development Environmental management Tourism	<ul style="list-style-type: none">▪ Local Economic Development▪ Job creation▪ Implement Integrated Economic Development Service Delivery Programs▪ Tourism Development▪ Forestry Development▪ Environmental Management▪ SMME's Development▪ Agrarian Reform▪ Investment Promotion▪ Mining

Below is detailed performance report for the year ended in June 2011.

2. MUNICIPAL PERFORMANCE REPORT

IDP Project Number	Project Name	Annual Target	Archived /Not Achieved	Reason for non-Achievement	Planned corrective measure	Budget Allocation	Budget Expenditure	POE as your indicator	Comments / Challenges if Applicable	Responsible person
1. MUNICIPAL MANGER OFFICE										
1	Integrated development planning	Adopted Credible IDP AND Budget for 11/12 financial year	Achieved	N/A	N/A	-	-	Council resolution for the adoption of the IDP, Comments from the MEC for the credibility of the IDP		Mr. Nota
2	Workshopping of Junior Staff on IDP	IDP work shop or training on junior staff	Not Achieved	N/A	N/A	-	-	Number of people attendant training and copy of certificate.		
3	Implement the Municipal Performance Management	Development of midterm repots and annual performance reports to council	Achieved	N/A	N/A	-	-	Section 72 Repot and Annual Report		
4	Development of Monthly Performance plans and Reports	Submission of Monthly performance reports to MANCO	Achieved	N/A	N/A			MANCO minutes		
5	Development of Annual Report	Adopted oversight report on Annual report and Adopted Annual Report	Achieved	N/A	N/A	150 000	167 000	Oversight Report on Annual Report, Council Resolution on Annual Report, Copy Of the Annual Report		

6	IGR	Have 4 IGR meetings per financial	Achieved	N/A	N/A	-	-	Copy of the attendance registers	We have managed to have 11 IGR MEETING	
7	stake holders engagement	Meeting with business and other stake holders	Achieved	N/A	N/A	-	-			
8	Anti-Fraud and Corruption plan	Implementati on of Anti-Fraud and Corruption plan	Not Achieved	Lack of capacity to implement the project	Beef up Human resources and commit the project to the next financial year	Nil	Nil	N/A	N/A	
9	Umzimvubu Municipality's Protocol	Develop and workshop Umzimvubu Municipality's Protocol	Not Achieved	Capacity and Financial constrains	Commit the project to the next financial year	Nil	Nil	Indigent Register, Indigent Policy, Indigent Committee		
Department: special Programs and Communications										
10	National Calendar Days and Council Events	Seven Events	Achieved	N/A	N/A	- R350, 000	- R244, 075	Programs and attendance registers Copies		Mr. Kulu
11	Speech Writing & Research	21 Speeches	Achieved	N/A	N/A	NIL	NIL	Copies		
12	Project Handovers	26 Hand Overs	Achieved	N/A	N/A	R900,000	R637,00	Hand Over Programme, Speeches and Press Statements		
13	Media Breakfast/Lunch	Two Sessions with the media	Not achieved	Hostile attitude of independent media houses	Engage the media with a view to improve working relationship	R5,000 -	R2,800	Attendance Register		

15	Adverts in print and electronic media	Seven notices	Achieved	N/A	N/A	R120, 000	- Full spending	Newspaper cuttings and records of electronic		
16	Radio talk show	Five Radio Talk shows	Achieved	N/A	N/A	R100, 000 -	Full spending	2010/11 Journal File		
17	Umzimvubu Newsletter	Four quarterly publications	Not achieved	Capacity problems	Enhancement of capacity	R100,000	R50, 000			Mr. Kulu
19	Support to Community radio station	Four Quarterly Payments	Achieved	N/A	N/A	- R211, 000	Full spending	Electronic Proof of Payment		Mr. Kulu
21	Communication strategy review	Reviewed and Adopted Communication Strategy	Achieved	N/A	N/A	-	-	Council resolution		
22	Branding & Marketing	One Corporate Identity and one Brand Manual	Achieved	N/A	N/A	R300, 000-	Full spending	Logo and copies of brand manual		
23	SPU Training and Development	Three Trainings	Achieved	N/A	N/A	R500, 000	R427, 028	Certificates		
26	Children and Elderly	Two Christmas Parties, 120 School uniforms	Achieved	N/A	N/A	R200, 00	-	Full spending		
27	Sport Art and Culture	Project Hand Over	Achieved	N/A	N/A	R2,2M	R1,8M	Project Hand Over Report		

3. LOCAL ECONOMIC DEVELOPMENT										
27	Tourism Development	500 dvd's and tourism brochures to be developed 10 Accredited tour guide trained 15 Accommodation facilities graded	Achieved	N/A	N/A	R425 000	R423 000	Launch of tourism dvd and brochure 10 Accredited tour guides 15 Accommodation facilities graded Monthly reports	Most tourists are still business tourists, leisure tourists are very few	Ms. Batyi
28	SMME Development and Promotion	Business expansion and retention strategy developed	Achieved	N/A	N/A	R 200 000	R 196 000	Council resolution and 10 temporary jobs created Monthly reports		Ms. Batyi
		Construction of 10 hawker stalls built in Mt Frere next to taxi rank	Achieved	N/A	N/A	R800 000	R 787 000	Appointment letter of contractor and EPWP forms utilised for temporary workers 10 hawkers stalls in Mt Frère built and 20 temporary jobs created Trading facility site fenced in Mt Ayliff and 10 temporary jobs created		

		250 SMME's capacitated in filling of tender documents , CIDB and on business and financial management	Achieved	N/A	N/A	N/A	N/A	Attendance registers on trainings conducted and Certificates Monthly reports		
29	Environmental Management	Greening and landscaping done on both towns	Main streets of Mt Ayliff and Mt Frere greened and ,municipal offices greened	Not Achieved	Shortage of funding	The programme will be finalised implemented in 2011/2012 financial year	R800 000	R798 000	Main street in Mt Frere and Mt Ayliff partly greened, Municipal offices greened and 25 temporary jobs created	Ms Batyi
30	Forestry Development	sector plan developed	Achieved	N/A	N/A	R200 000	R186 000	Pictures for forestry indaba convened	Based on the success of Forestry Indaba ,Department of Forestry and Fisheries has pledged to convene Provincial Arbor week in Mt Frere to be held in September 2011	
		Forestry indaba convened						Forestry sector plan in place Monthly reports		
31	Investment Development	Adopted Investment Plan	Not Achieved	There were delays encountered.	Investment Plan will be tabled on the next Council Meeting	R200 000	R196 000	Draft Investment plan in place Memorandum of Understanding signed between Municipality and ECATU to assist with funding of Investment Plan programmes identified	Investment Plan will be tabled on the next Council Meeting	Ms Batyi

32	Agrarian	Bankable business plan in place	Achieved	N/A	N/A	R200 000	R198 000	Business Plan for Milling Plant and silos is in place Monthly reports	The Department is on the process of securing funding for implementation	Ms. Batyi
OTHER PROJECTS	Conduct of research on Peach Value Addition on 12 wards of Umzimvubu	Conduct feasibility study , Registration of communities into cooperatives, Training of co-operatives Hiring of Project Managers Site secured for Peach Value Addition	Achieved	N/A	N/A	R 2 m (DEDEA)	R 1.4 m	Feasibility study results in place Site secured for Peach Value Addition based on feasibility study results Bankable business plan in place Certificated of registered co-operatives Certificates of training conducted	Conduct of research on Peach Value Addition on 12 wards of Umzimvubu	Ms. Batyi
	Conduct research on Pole Treatment Plant on 6 wards of Umzimvubu	Conduct Feasibility study Registration of Communities into co-operatives, Hire Project Managers Secure site , Business plan developed and Communities trained	Achieved	N/A	N/A	R 2 m (DEDEA)	R1.4 m	Feasibility study results in place EIA conducted Site conducted Certificated of registered co-operatives Certificates of training conducted Bankable business plan in place	Conduct research on Pole Treatment Plant on 6 wards of Umzimvubu	Ms Batyi

4. DEPARTMENT: BUDGET AND TREASURY										
32	MPRA Implementation	Ensuring that all revenue that is due to the Municipality is recognized	Achieved	N/A	N/A	-	-	General Valuation roll, Supplementary valuation, Rates Policy		Mr. Hloba
33	Credit control and revenue management	Ensuring that all revenue that is due to the Municipality is collected.	Achieved	N/A	N/A	-	-	Credit Control and Debt Collection Policy	Ensuring that all revenue that is due to the Municipality is collected.	
		Ensuring that Municipal funds are invested on high interest generating institutions	Achieved	N/A	N/A	-	-	Investment and Cash Management Policy	Ensuring that Municipal funds are invested on high interest generating institutions	
34	Database Cleansing									
35	FBS and Indigent Support	Ensuring that poor households benefit from the Municipal Subsidies	Achieved	N/A	N/A	R2 340 292.40	R2 340 292.40	Indigent Register, Indigent Policy, Indigent Committee	Indigent people with Electricity are being serviced/subsidised by Eskom Those without electricity have been given stoves with gel and presentations were made on how to use the stoves. Also the project has benefited 3 Co-Ops with free containers and stock worth R40 000. They were also trained on how to use the stock	

									and how to budget	
36	Creditors payment and reconciliations									Mr Hloba
39	Payroll Administration	Payment of 3 rd parties	ACHIEVED	-	-	-	-	Sequentially numbered payment vouchers. Payroll reports Proof		Mr. Hloba
40	Bank Reconciliation Project Accounts Reconciliation	Ensuring that Municipal records are properly maintained in line with the MFMA	Achieved	N/A	N/A	-	-	Bank Reconciliations , Vat Reconciliations , Rates Reconciliations , Debtors Reconciliations , Valuation Roll Reconciliation, Investment Reconciliations	Ensuring that Municipal records are properly maintained in line with the MFMA	
41	SCM Policy Implementation	Outstanding orders are minimal; hence we still having system problems in terms of budget.	Achieved	N/A	N/A	-	-			Mr Hloba
42	Supplier database management	Updating of Supplier Data base	Achieved	n/a	n/a	-	-	List of Suppliers received during the financial		
43	Stores management and stock level analysis	Stores management and monitoring. All stores related issues will now be on Munsoft System.	Achieved	N/A	N/A	R105 000	R102 000	Stock taking report		
44	Valuation Infrastructural Asset Register	Conducting of infrastructural register	Achieved	N/A	N/A	R200 000	R170 000	Infrastructure Register		

45	Implementation of asset management policy	All our assets have been valued using cost model and now in a process of calculating depreciation, impairment losses and residual values and their useful lives. An Asset Disposal list has been approved by the Council.	Achieved	N/A	N/A	-	-	Yes		
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5. Department: Corporate Services

48	Translation of HR Policies	All HR policies be translated by Dec 2010.	Achieved	-	-	R70 000	R69 950	Policies were translated from English to IsiXhosa.	All HR policies be translated by Dec 2010.	Mrs Kubone
49	Implementation, development and roll out of policies to staff	Policies rolled out and copies handed over to employees in both Xhosa & English.	Achieved	-	-	R50 000	R51 000	Relocation policy was developed and adopted by Council. Policy-roll out workshops were conducted for all municipal employees and they were handed over and acknowledge ment of receipt register was signed by employees.	Policies rolled out and copies handed over to employees in both Xhosa & English.	

50	Policy on bursary fund for student trainees in rare skills within the Municipality	Maximum of 5 students assisted from various wards	Achieved	-	-	R250 000	R160 953.13	Bursary policy was developed & adopted by Council. Advert issued inviting applications. High school visits were conducted (awareness). 5 students awarded bursary	Maximum of 5 students assisted from various wards	
51	Training	Training of officials and councilors in line with WSP.	Achieved	-	-	R400 00 + R250 000 (Budget adjustment)	R659 458.22	23 councillors and 83 officials were trained in line with WSP. Commitment form for training programmes was developed. Training committee meetings were convened as per the adopted Year Planner. Monthly reports submitted to LGSETA.		Mrs Kubone
52	Implementation of Performance Management System	Quarterly assessments and signed performance contracts by all contract employees.	Achieved	-	-	R300 000	R207 567.90	Sec 57 employees signed their performance agreements and were sent to the Province for compliance purposes. All contract employees signed performance agreements. Assessments	Quarterly assessments and signed performance contracts by all contract employees.	

								<p>were conducted for 4 quarters for all contract employees. PMS policy was reviewed and adopted by Council. End-year function was held for permanent employees to award employees who have excelled in their performance. EXCO, Whippery and Speaker were trained on PMS. 6 HODs and 4 Assistant Managers were also trained on PMS.</p>		
53	Implementation of Employment Equity Plan	EE Plan implementation	Achieved	-	-	Nil	Nil	<p>Report was submitted to DoL on line in November 2010. A letter of acknowledgment of receipt was received. 1 female Assistant Manager was appointed to meet targets.</p>		
56	Experiential/Internship program	5 trainees/interns appointed	Achieved	-	-	R 105 700	R 81 358.00	<p>9 Interns appointed including the ones funded by Treasury</p>		

57	Recruitment and selection	11 budgeted/vacant posts be filled	Achieved	-	-	Nil	Nil	An advert was issued out for all budgeted posts for the F/Y 2010/11. Recruitment Process Plan was developed and implemented. Eleven posts were filled and recruitment done as and when required due to resignations, deaths etc.		
58	Labour Relations	Disciplinary and grievance hearings completed within 3 months.	Achieved	-	-	Nil	Nil	LLF sits monthly except when Councillors had to go on recess due to the elections. CoS are implemented. Eight disciplinary cases were finalized within the F/Y. 1 Arbitration hearing was held and the municipality was successfully defended and an Arbitration Award was received.		Mrs. Kubone

59	Personnel Management	Accurate leave records and personnel files.	Achieved	-	-	Nil	Nil	9 benefit applications were processed for Officials and 25 for councilors. Personnel files are maintained. Leaves were captured on PAYDAY System.		Mrs Kubone
60	Employee wellness and Health & Safety	Employee Wellness and Health & Safety	Employees and councilors given assistance as and when required.	Achieved	-	R 100 000	R64 029.01			
61	Induction Programme	Proper orientation of newly appointed employees. Two induction programs be conducted a year.	Achieved	-	-	R40 000	R4 171	All newly appointed employees were inducted in March and October Orientation of new employees is done on assumption of duties on a continuous basis. Induction for all newly elected councilors was held in June 2011.	-	Mrs Kubone

62	Staff retirement Programme	Identify employees who are due to retire.	Achieved	-	-	-	-	Project was not implemented as there were no employees due for retirement in this financial year.		
63	Binding of minutes	All minutes & agenda bound into concrete journals 5 copies of journals for each financial year	Achieved	-	-	R31000.00	R 30 000.00	Journals of Council & EXCO agenda and minutes were created		
64	Records and Document Management	Ensuring safe keeping of the institutional memory	Achieved	-	-	-	-	-	A Records Procedural Manual has been formulated and adopted. Secondary Storage rooms have been established in Mt Ayliff and all old records moved to Mt Ayliff and recorded. A resolution Register has been filled for 2010/11FY/ 2009/10FY/ 2008/2009FY	Mrs Kubone

65	Filing Plan	Filing of municipal records in a proper plan in accordance with the prescript law	Achieved	-	-	-	-	File Plan adopted by Council Workshops were conducted on how to use the filing plan		
66	Revival of an electronic document management system.	ensuring Applications are processed within a reasonable time	Not Achieved	The procurement processes were delayed until finally the project was awarded in May 2011	The project has started implementation and will carry on during the first six months of the 2011/2012 Financial Year.	R800 000.00	-	RQ Tech, the service provider has been appointed.		
67	Roll out of the Batho Pele Programme.	High Standard Customer Services in the municipality	Achieved	-	-	-	-	BP Structure was established. By-monthly meetings for the structure Service Charters for each department was formulated and adopted All Departments were consulted on the Service Charters		

68	Gazetted bylaws	Gazetted By-laws according to the prescribed law 4 By-laws	Not Achieved	There was no cooperation from affected department. When the by-laws were finally submitted, they were set to Provincial Gazette and the supply chain processes were done and the delay now lies with Provincial Gazettes as they have not gazette yet.	The order was sent to Government Gazette and since the budget has been committed, as soon as Government Gazettes the by-laws then they can be paid.	R60 000.00	-	By-laws were sent to Government Printers for Gazzeting and still awaiting for the gazetted bylaws.	Gazetted By-laws according to the prescribed law 4 By-laws	
69 70	Server & Network Management ICT Programmes	To maintain data integrity within the municipality and To ensure proper restoring of municipal information and E-mails	Achieved	N/A	-	R300,000.00 ICT Network	R299,768.28	HP G7 Proliant server with window 2008 operating system, 2010 Exchange E-mail and VMware software	The server room meets ICT standards for safety and the switches are faster which makes the network faster.	Mrs Kubone

		To have UPS (Uninterrupted power supply) accordance to the Umzimvubu disaster recovery plan.	Achieved		N/A	R100,000.00 ICT programmes	R79767.00	The new UPS has been installed with six racks that distribute electricity evenly, even if the electricity cuts down the servers will be up & running for more than four hours then the generator will take over.	To maintain data integrity within the municipality and To ensure proper restoring of municipal information and E-mails	
		Bulk smses	Achieved		N/A		Telephone budget	R289.00 pm for a period of 5 years	Upgrading of park homes to fiber optic	
		BACKUP POLICY	Achieved		N/A		-	-	Upgrading of the server	
		IT STRATEGY	Achieved		N/A		-	-	The new UPS has been installed with six racks that distribute electricity evenly, even if the electricity cuts down the servers will be up & running for more than four hours then the generator will take over.	

		DISASTER RECOVERY PLAN	Achieved		N/A		-	-	There are no more blockages in the telephone lines at switchboard as there are 300 full duplex lines available. There are new extension lines and all users can be directly contacted by external people.	
71	ICT Infrastructure	INTERNET AND FIREWALL	Achieved		N/A	R450,000.00 ICT Infrastructure	R 8723.45 and R175.00 for Firewall Maintenance	All the computers in the network can access internet and the firewall is protecting the network from outside attacks.	Completed More than 10000 users are send messages once and there are notifications when delivered	
		Upgrade of telkom (opticon) telephone system	Achieved		N/A		Telkom monthly rentals	There are no more blockages in the telephone lines at switchboard as there are 300 full duplex lines available. There are new extension lines and all users can be directly contacted by external people.	The backup policy which guides the IT Staff on where to keep backup tapes and how to do backups has been adopted by the council.	

		The LAN network is up and running all the computer can access the systems and the internet	Achieved	N/A	-		R117,000.00	The LAN network is up and running all computers can access the systems and the internet.	There is a road map and priorities in terms of budget on what to procure in order for ICT to enable Umzimvubu to reach its goal of service delivery to the people.	
		The server room meets ICT standards for safety and the switches are faster which makes the network faster.	Achieved	N/A			R170,563.31	Built a raised floor, Installed 2 x 48 port Cisco switches and 2 high network cabinet s and patch paneling.	Servers are backed up daily, monthly and yearly to keep the information & there are procedures to be adhered to incase of a disaster also there are numbers of very strategic companies that can quickly assist when there is a disaster.	
72	Website Management.	To manage the network security and to Link Mt frère offices to Mt Ayliff	Achieved	N/A		-	Telkom monthly rentals	Telkom has installed the VPN between Mt Ayliff and Mt Frere offices	All the computers in the network can access internet and the firewall is protecting the network from outside attacks.	

		Dimension Data has Installed Wireless Access points and CISCO APNs to enable user mobility through wireless connection	Achieved	N/A		R250,000.00 ICT Programs	R142,264.90	Now users can access all the network resources while they are mobile from AD, E-mails, MUNSOFT within the 100 meter radius of Umzimvubu LM	To manage the network security and to Link Mt frère offices to Mt Ayliff	
		To enhance communication with the community and to ensure consistent uploading of the essential municipal documents	Achieved	N/A		R100,000.00 Website Development	R 97,000.00	Attractive and well informed communication tool.	Dimension Data has Installed Wireless Access points and CISCO APNs to enable user mobility through wireless connection	

6. DEPARTMENT: CITIZENS AND COMMUNITY SERVICES

73	Traffic Management	2600 tickets issued out	Achieved			R282 820	R282 820	Dept. Report	2600 tickets issued out	Mr. Sineke
		12 road blocks	Achieved			Nil	Nil	Reports	12 road blocks	
		R600 000 revenue on section 56 and 341 notices	Achieved			R400 000	R 464 511	Budget	R600 000 revenue on section 56 and 341 notices	
74	Issuing of learners and driver's license	4200 applicants tested per year	Achieved			R1894 427	R2 230 679	E-natis statistics	4200 applicants tested per year	
75	Erection of road traffic signs and road surface markings	Visible signs and markings In all identified areas	Achieved				R250 000	R250 000	Visuals and Dept Report	

76	Vehicle roadworthy service	1200 motor vehicles tested for roadworthy	Achieved				R250 000	R144 437	E –natis statistics
77	Vehicle registration and licensing	# of new and used vehicle registrations	Achieved				R900 000	R1 127 253	E-natis report
78	Effective by-law enforcement	Compliance of citizens and businesses	Achieved				R105,570	R90,112	Compliance notices issued. Functional by law enforcement unit
79	Provide security to council assets	Secured municipal assets	Achieved				R 2 098 297	R1 868 787	Dept. Report
80	Coordination of crime prevention programmes								
81	Institutional capacity for disaster management	24 Councillors 10 municipal staff workshoped	Achieved				R200 000	R190 000	Policy developed and implemented. Register of disaster meetings
82	Risk assessment and monitoring								
83	Disaster management and planning implementation								
84	Disaster response and recovery								
85	HIV & AIDS	4 LAC meetings (quarterly) 24 Ward Aids Councils formed. HIV & AIDS strategy document	Achieved				R196 260	R175 960	Monthly reports and attendance register of meetings and campaigns HIV and Aids strategy document

86	Landfill sites refurbishment and energy recovery	Cell development , Land filling, Waste buy bay centre , landfill site management	Achieved				100 000	100 000	Cells in the land fill site, Control register of Waste materials and vehicles, Waste buy back centre structure Landfill site certificate for Waste information system registration
87	IWMP development	Adopted IWMP	Achieved						Council Resolution adopting IWMP
		Implementation of Action plan							
88	Education, Awareness and Training	Implement Five (5) awareness campaigns. Recognize three national environmental days/weeks	Achieved				R 74 307	R72,497	Report on campaigns
89	Refuse removal & food for waste	Domestic waste collection, Provision of waste sit bins, Remuneration of food for waste beneficiaries, refuse transportation	Achieved						Litter bins, 5000 serviced households and CBD, Attendance. Domestic waste Shift rooster Receipt register for food for waste beneficiaries

90	PARKS (GREENING)	Approval of ntsiwa and Sophia park concept designs and maintenance of two plan	Achieved				250 000	250 000	Approved concept designs, Maintenance plan of parks	
91	Community Amenities	Cemetery Data Base management system , Phase One of mount frère cemetery development Appointment of service provider for Phase two (Mount Ayliff cemetery development ,	Achieved				R1500 000	R500 500	Cemetery management plan and system. , Completion Certificate of Mount Frere Certificate, Appointment of letter of a service provider for Phase two, Monthly reports with visuals.	

7. DEPARTMENT: INFRASTRUCTURE AND PLANNING

92	Phuka-Kwantuli AR Extention	Construction 86, 29 km AR and 12km Surfaced Roads. Construction of 13 bridges.	Archived				R57.11million	R53 314 223.54 million	Completion Certificates Provision of improved basic infrastructure approximately 86, 29 km AR and 12km Surfaced Roads. Construction of 13 bridges.	Mr. Ntonga
93	Sdakeni Access Road									
94	Thabo A/R									
95	Betshwana									
96	Extention of Mfulamkulu Daluhlanga Bridge phase 2									

97	Extention Mbumbazi		Achieved	-	-				
98	Maintenance of Roads & storm water			-	-				
99	Surfacing of Streets		Not Achieved	Weather conditions had delayed the project	The project will be completed during the third quota of 2011/12 financial year	-			
100	Services at Ext 6 and Ext. 9		Not Achieved	Budget short fall as this was not budgeted for in the F/Y	The project will be committed in the next financial year 2011/12c	-			
101	Deeds search		Achieved. The process is on going	-	-	-			
102	Installation of High masts		Not Achieved	The project will be committed in the next financial year 2011/12	-	-			
103	Public works offices and mall		Not Achieved	The project is funded by DPW	-	-			-
104	Ndikini AR Majalumani and Nyathini		Not Achieved. 2011/12	The project had a budget shortfall	The project will implement in the 11/12 financial year	-			-
105	Dukathole AR		Achieved						

106	Ngxashini AR and Dingezweni Bridge								
107	Mhlotsheni Access Road								
108	Qhanqu-Macheleni								
109	Mjikelweni Mpungutyane								
	Malongwe-Lugangeni,		Not Achieved	The project had a budget shortfall	The project will implement in the 11/12 financial year				
	Ntlabeni Bridge		Achieved						
110	ARMatyeni-Mdeni and Mabhaceni Chwebeni , damaged bridges		Not Achieved	The project had a budget shortfall	The project will implement in the 11/12 financial year				
111	Mpendla Internal Roads,		Achieved						
	Marhwaqa Bridge by Soldiers/ DPW/ Community Hall		Not Achieved	The project is funded by DPW	The project will implement in the 11/12 financial year				
112	Galali to Zibokwana Road , Tyoksville – Sophia pedestrian bridge		Not Achieved	The project had a budget shortfall	The project will implement in the 11/12 financial year				

113	Machamsholo Internal Roads		Achieved			Included to 57m			
114	Surfacing of streets		Not Achieved	Weather conditions that have delayed the project	The project will be finished in the third quota of 11/12 financial year	Included to 57m			
115	Services @ ext. 6 in Mt Frere,		Not Achieved	There was a budget shortfall	The project will implement in the 11/12 financial year	-			
116	Municipal Offices		Not Achieved designs	The project was cancelled by councilors	The project will be carried to the next financial year	9m that has been spent		Council resolution	
117	Mall/ complex		Achieved	-	-	-		Approved building plans	
118	Bus/Taxi Rank		Not Achieved	The project is implemented by the DPW	It will be included to the next financial year	-			
119	Services @ 40 industrial sites		Not Achieved	The project had a budget shortfall	Will be budgeted for once the DLGTA and Surveyor General have approved the layout plan.	-			

120	deeds search and new unregistered Roads in Town		Achieved ongoing	-	-					
121	High Mast		Not Achieved	The project had a budget shortfall						
122	Maphakama and		Achieved	-	-					
	Matyholweni-Susa		Not Achieved	The project had a budget shortfall	It will be included to the next financial year					
123	Lucingweni to Mandlana A/R/									
	Tina Hill to Ngxabaxha		Achieved	-	-					
124	Njoji to Magidigidi		Not Achieved 95	Weather conditions	It will be finished beginning of 11/12 financial year					
125	Bethlehem-Tolo Via Kuyasa- Ku Jokazi		Not Achieved 2011/12							
126	Magwaca-Nabinja – Qwidlana Clinic									
127	Ngojini Via Ngxongo A/R									
128	Urban Renewal Strategy Towards Economic Activity Corridor	Adopted urban renewal strategy		Not Achieved	We could not get the suitable service provider to execute the project	The project will be implemented in 11/12				Evaluation and Adjudication Report
129	Mapping of Mount Free and Mount Ayliff	Maps for Mount Frere and Mount Ayliff								

130	Rezoning of Mount Ayliff Extension 9 from Light Industrial to special Residential	Approved zoning of extension 9			The delay has been made by MEC of local government in giving authority to amend the scheme	The scheme will be completed in the next financial year			Letter requesting Authority from the MEC to Amend the Transkei scheme	
131	Township establishment of 20 sites in mount free Extension 7	Township establishment		Not Achieved	Due to the shortfall of the budget the project will be implemented on the next financial year.	Provide budget for the next financial year 2011/2012.	-	-	-	
132	Township Establishment of 80 sites Mount Ayliff extension 5			Not Achieved	Due to the shortfall of the budget the project will be implemented on the next financial year.	Provide budget for the next financial year 2011/2012.				
134	Construction of 20 MVA Mt Ayliff Sub Station upgrade	Construction of 20MVA Mt Ayliff Substation		Eskom targets are overlapping to the next financial year	The project will be completed in 11/12 financial year	Eskom			-	
135	132kv distribution line to Mathafeni	132KV Mt Frere Sub Station								
136	Mt Frere Reticulation lines									
137	132 kv Mt Frere substation upgrade	Construction of Mt. Frere 132kv								

138	Insolation and Maintenance of streets Lights and High Masts	Construction of high must		Budget short fall	The project will be completed in 11/12 financial year	ULM Budget	-	-	-	
139	Electrification of : Machamasholo/Hlane /Qumra	3404 Households connections	Achieved	-	-	Eskom budget		Occupancy certificate		
140	Eletricfication Mvuzi Phase 2									
141	Electricfication of Qunubeni									
142	Electrification of Njijini , Buffullo neck/ Mjikelweni									
143	Electrification of Makaula 3&4								Not Achieved	

3. ANNEXURES

The annexure is made up of the following documents arranged in the sequence below:

1. Plan of action of the municipality to address findings of the AG report;
2. Audit committee report
3. Approved Municipal Structure (Staff establishment);
4. Council resolutions adopting the Annual Report