

The PMS is then developed in line with mandates and legislation that govern Performance Management (PM) in local government. The compliance of PMS is then linked to the following applicable policy prerogatives:

- The Constitution of the Republic of South Africa Act No 108 of 1996
- The White Paper on Local Government (1998)
- Batho Pele Principles (1998)
- Municipal Systems Act No. 32 of 2000
- Municipal Planning and Performance Management Regulations 2001
- Municipal Finance Management Act No. 56 of 2003
- Municipal Planning and Performance Management Regulations 2006

- **2015/2016 Annual Performance Reporting**

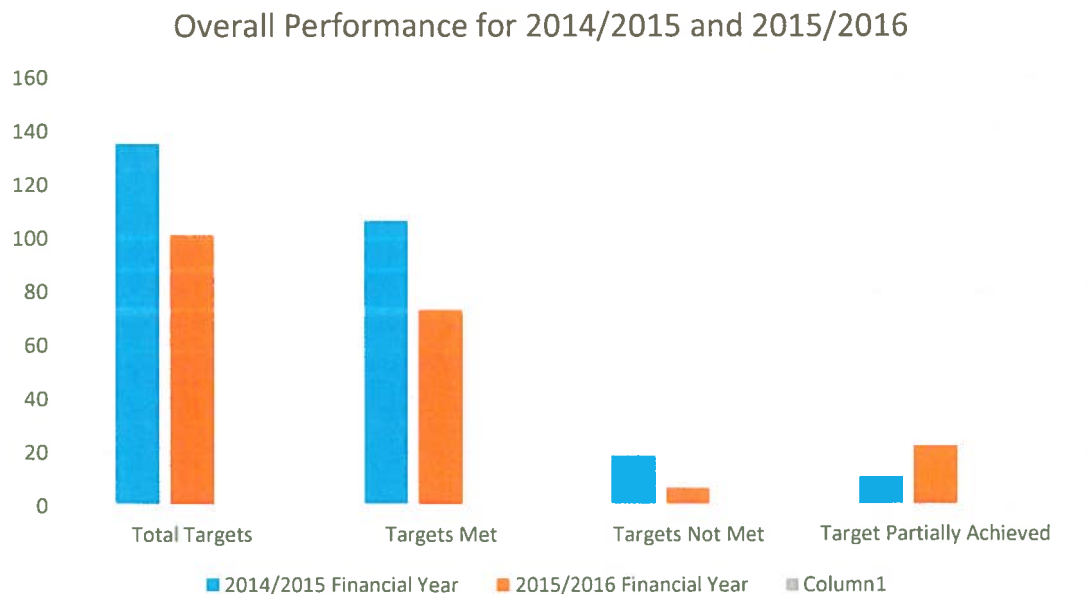
This report includes highlights from the key performance measures included in the Integrated Development Plan (IDP) for the 2015/16 financial year. These priority measures constitute the Scorecard for 2015/2016.

At the end of quarter 4 (April to June 2016), 72% of priority performance measures have been met or exceeded this year-end target. Areas for improvement are shown in the Organisational Performance Scorecard for 2015/16. Accountable officials have provided commentary to put performance into context and identified actions that are taken to address under performance.

There is little bit improvements in terms of 2015/16 performance compare to 2014/15. It is worth noting the impact of factors such as budget and staff capacity has led to increase in demand for services, putting pressure on achievement of challenging targets. Benefits from transformational challenges taking place are starting to have an impact but have not yet been fully realised.

The following chart compares overall performance from the 2015/ 2016 financial year with performance achieved during the 2014/2016 financial year.

Financial Year	Total No. of Targets	Target Met	Target Not Met	Target Partially Achieved
2014/2015	135	106	18	10
2015/2016	101	73	6	22



- **Organisational Performance Management Process**

Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place.

Individual agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Municipal Manager and General Managers. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

Performance Evaluation Panel has also been established for the assessment of the performance of the Municipal Manager as well as Managers directly accountable to the Municipal Manager. The panel members meet bi-annually to evaluate individual performance.

- **Audit and Performance Committee**

The term of service for the Audit and Performance Committee expired during October 2015 and new committee was appointed by the Council on November 2015.

The newly appointed Audit and Performance Committee comprises of five members as follows:

- ✚ Ms N Mchunu (Chairperson)
- ✚ Mr SG Majola
- ✚ Mr DD Mcwabe
- ✚ Ms ZP Khanyile
- ✚ Ms YP Joli

The Audit and Performance Committee met as follows:

Quarter	Date	Members Represent
Quarter 1	21/08/2015	
Quarter 2	26/01/2016	Ms N Mchunu, Ms YP Joyi, Mr DD Mncwabe, Mr SJ Majola
Quarter 3	26/04/2016	Ms N Mchunu, Mr DD Mncwabe, Mr SJ Majola
Quarter 4	21/06/2015	Ms N Mchunu, Ms YP Joyi, Mr DD Mncwabe, Mr SJ Majola

- **Auditing of Performance Information**

The Municipal Systems Act 2000, Section 45 requires that the results of the performance measurements in terms of section 41 (1) c, must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

UThukela District Municipality is now using the service of its own Internal Audit Unit to perform the Internal Audit function within the municipality. As part of their scope, auditing of the Performance Management System and audit of Performance Information was performed and reports received for each quarter in terms of the following:

- i. **Quarter 1**

Review the functionality of the Performance Management System and management's compliance thereto.

- ii. **Quarter 2**

Review municipal performance and test a basis of supporting evidence. They further deliberate the content of the Mid-Year Performance Review and came up with corrective actions and warning indicators of not achieving some of the performance measures at the end of financial year.

Recommendations made on review of performance information to align with the IDP and budget.

- i. **Quarter 3:**

Ensure compliance with the requirements of the PMS regulations for quarter 3.

- ii. **Quarter 4**

Review scorecards on a test basis to supporting evidence on a sample basis. Perform detailed testing on selected performance information; and ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

- **Performance Assessment of External Service Providers**

The monitoring of the service provider performance is ensured through the signing of Service Level Agreements. It is currently being done on a user department level. The end user department provides reports on performance of service providers.

The information on the assessment of external service providers is attached as **Annexure B** of this report.

- **Annual Organisational Performance Information**

The Annual Performance Report for the 2015/2016 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). The Organisational Performance Scorecard table will be presented to the Auditor General for auditing together with the Annual Financial Statements and Draft Annual Report by 31 August 2016.

This Annual Performance Report (Tables) should be read in conjunction with the Annual Report, including the Annual Financial Statements as well as the Auditor General Report on the Annual Financial Statements and Performance Information for 2015/2016.

In relation to the 2015/2016 year end performance results, the final position shows:

- 72% of measures have met or exceed the year-end target

- **Municipal Transformation and Institutional Development**

The overall score for the KPA was 93% for the 2015/2016 financial year, which is an improvement from 2014/2015 financial year.

During the financial year under review, the municipality able to put PMS systems in place by adopting PMS Policy Framework and submission of quarterly reports to the Audit and Performance Committee and Council. In supporting of the above, the PMS Manager has been appointed and assumed his duties on August 03, 2015.

The municipality, further, engaged with municipal employees on developed and implementation of employment equity plan. The employment equity plan is now adopted by Council and will be implemented until 2017.

- **Financial Viability and Management**

The overall score for the KPA was 50% for the 2015/2016 financial year, which is a decrease from the 2014/2015 financial year.

R 77 247 782 was collected from customers during the financial year under review. The rand value collected has decrease by R 73 138 674 from 2014/2015 to 2015/2016.

During the 2015/2016 financial year the municipality was able to achieve 100% expenditure on grants.

- **Good Governance and Public Participation**

30% of Good Governance targets were achieved during the 2015/2016 financial year.

- **Basic Service Delivery and Infrastructure Development**

The overall score for the KPA was 72% for the 2015/2016 financial year, which is an improvement from the 2014/2015 financial year.

The municipality successfully achieved a target of 1600 new water connections despite the overwhelming drought within the District. The targeted number of households for new sanitation connections was 430.

- **Local Economic Development (LED)**

The overall score achieved for this KPA was 100% for the 2015/2016 financial year, an impressive increase when compared to the 2014/2015 financial year.

Both LED and EPWP jobs created amounts to 180 for the 2015/2016 financial year. It should be noted, that the figure contains only new jobs created during the financial year.

The UThukela District Municipality Annual Performance Report on the Pre-Determined Objectives is attached as **Annexure A** of this report.

- **Employee Totals, Turnover and Vacancies**

Appointments Made in the Financial Year: 2015/2016 (01 July 2015 to 30 June 2016)

Total Number of Appointments				
	Q1	Q2	Q3	Q4
Internal	07	03	08	01
External	20	29	71	124
Appointments by Gender				
Female	02	01	03	00
Male	01	02	01	84
Appointments by Occupational Level				
Professional/Middle Management	02	02	00	00
Skilled	01	01	04	04
Semi-Skilled	00	00	00	36
Unskilled	00	00	00	70
Temporary/ contract employees	20	28	71	12

- **Managing the Municipal Workforce**

Injuries, Sickness and Suspensions

Number and Cost of Injuries on Duty		
Type of injury	Injury Leave Taken	Employees using injury leave
	Days	No.
Required basic medical attention only	11	05
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	11	05

- **Capacitating the Municipal Workforce**

Skills Development and Training

Report on Training Conducted in the 2015/16 Financial Year				
	Q1	Q2	Q3	Q4
Officials	67	23	12	31
Councillors	02	0	0	0
Total	69	23	12	31

Chapter Four

4.1 Financial Performance

- **Key Focus Areas**

- Compliance with legislation and implementation of proper internal controls
- Management of risk inclusive of Business Continuity Plan and implementation of proper internal controls
- Develop sound financial reporting mechanism for the above functions
- Implementation and the annual review of the District's:
 - Indigent policy
 - Incentive policy
 - Tariff policy
- Reporting on the above policies
- Monitoring of all grant funding as Gazette by National and Provincial departments
- Submission of financial information for AFS preparation
- Prompt responses to internal and external audit queries
- Credit and Debt control policy

A key indicator of wealth from a municipal perspective is its ability to generate revenue from its communities. A holistic approach to local government sustainability is therefore crucial to ensure maximization of revenue, reducing inefficiency and costs and reducing uncollectible debt.

Our municipality has an active debtor database of which is serviced by the revenue section with staff compliments.

The following are the main streams of revenue of the municipality:

- Water Revenue
- Sanitation Revenue

Component A: Statement of Financial Performance

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	variance %
	R	R	R	R	R	
Revenue from exchange transactions						
Service charges	165,107,000		165,107,000	158,263,646	-6,843,354	
Interest received	26,568,000		26,568,000	20,214,647	-6,353,353	
Other income	356,000		356,000	3,566,813	3,210,813	
Government grants-Transfers recognized (operational)						
Interest received - investment	8,010,000	2,000,000	10,010,000	11,991,453	1,981,453	
Total revenue from exchange transactions	200,041,000	2,000,000	202,041,000	194,036,559	-8,004,441	
Taxation revenue						
Property rates						
Transfer revenue						
Government grants-Transfers recognised (capital)	556,311,000	-3,743,000	552,568,000	568,331,256	15,763,256	
Total revenue from non-exchange transactions	556,311,000	-3,743,000	552,568,000	568,331,256	15,763,256	
'Total revenue from exchange transactions'						
'Total revenue from non-exchange transactions'						
Total revenue	756,352,000	-1,743,000	754,608,000	762,367,815	7,758,815	

Expenditure

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Personnel	-219,377,000		-219,377,000	-198,647,226	20,729,772
Remuneration of councilors	-5,332,000	-814,000	-6,146,000	-6,381,097	-235,097
Depreciation	-51,430,000		-51,430,000	-49,197,065	2,232,935
Finance costs	-60,000	60,000		-1,125,317	-1,125,317
Lease rentals on operating lease				-7,156,798	-7,156,798
Bad debt provision	-28,222,000		-28,222,000	-57,975,475	-29,753,475
Bad debts written off				-40,227,875	-40,227,875
Repairs and maintenance	-59,605,000	18,000,000	-41,605,000	-28,822,389	12,782,611
Bulk purchases	-6,377,000	841,000	-5,536,000	-1,639,239	3,896,761
Contracted Services	-42,260,000	-3,973,000	-46,233,000	-65,268,423	-19,035,423
Government Grant Expenditure	-13,228,000		-13,228,000		13,228,000
General Expenses	-154,661,000	-4,473,000	-159,134,000	-218,314,407	-59,180,407

Operating Surplus / Deficit

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Operating deficit					
Gain on disposal of assets and liabilities				-1,231,708	-1,231,708
Loss on non-current assets held for sale or disposal groups					
Inventory losses				-344,075	-344,075
Gain/(loss) on actuarial valuations				-12,280,604	-12,280,604
Deficit before taxation				73,756,115	73,756,115
Surplus before taxation					
Taxation					
Operating surplus / (deficit)				73,756,115	73,756,115

- **Communication**

The Municipality believes that a sound communication strategy is a critical element to building local government long term sustainability and that only through communication customers and municipal expectations can be clearly articulated and understood by all relevant parties and the relationship between the municipality and its customers can be enhanced. It is for these reasons that the municipality to conduct a Masakhane Campaign Programme.

- **Revenue**

Revenue collection is based on the integrity of the two predominately components, metered serviced delivery and billing. This critical element includes collection of revenue, customer management, debt and credit management and indigent registration.

Working together with Technical, Water and Sanitation Department, the revenue section plays a critical role in ensuring that not only do we meet our strategic objectives of providing portable water and safe sanitation to all, but we also strive in maintaining long term financial sustainability.

The billing function is the principal mechanism that drives all cash flow, the main source of customer information and critically fundamental to the success of any municipality. A successfully billing is therefore mostly a function of accuracy of the data input into the system, for this reason the municipality embarked on the process of data cleansing, so as to make sure that correct customers are billed and receiving correct information on their statements.

- **Indigent**

In an attempt to alleviate the hardships encountered by the poor and aged residents of this Municipality, Council approved the rendering of free and subsidised services to qualifying applicants. Through our Indigent policy a detailed analysis is financial position of the applicant is performed and in addition, a ward councillor is requested to testify to the applicants living conditions. Registered indigent consumers are afforded a monthly allocation of 10kl free water, and are only charged for usage thereafter. Therefore, should a consumer be able to effectively manage his/her monthly allocation of 10kl there would be no account to be paid.

To date there are 4100 indigent households who are registered and linked to the programme of basic municipal services. The management of indigent is a continuous process and has been integrated into the normal day to day operations of the municipality where registering, verifying , screening and approving of indigent is done by a dedicated indigent however the Municipality is aware that not all deserving community members are registered for indigent, hence are not receiving benefits as promulgated in our acts and bylaws and are unable to pay for the services as such this has a ripple effect on the increase of the municipal debtors as well as constrains in the municipal own revenue.

Consequently the Municipality will once again through the communication strategy initiatives embark on the awareness campaign to encourage the communities to come and register.

To deliver the services effectively, municipalities rely on its own revenue, which is composed of charges for proving water, sanitation and other services. However to this end the issue of non-payment or municipal consumer debt poses a serious threat to the financial health of municipalities in South Africa. It cripples their cash position and therefore the ability to fulfil constitutional mandate responsibilities and put reliance on government for grants.

- **Debtors**

Municipal consumer debt is a complex challenge within the local government sphere, the Uthukela District Municipality is also affected by this tenacious increases of consumer debt which to date per its records is R573 777 572 inclusive of current debts. The Municipality is working tirelessly to put in place creative measures towards recovery of some of its debts.

The municipal credit control mechanisms supported by our policies are structured in such a manner to progressively convince or persuade customers to pay for the services consumed, among other is a:

- noteworthy project of installation of prepaid smart meters will help in reducing the burden of accumulating debt;
- writing off of the irrecoverable debt; and
- reduce the leakage and wastage of water which will results in huge water saving and improve payment as the consumers will be compel to pay in advance for the water usage

- **Grants and Subsidies**

Grant allocation was received from various funders during the 2015/2016 financial year. The allocations comprised unconditional grants and the balance being conditional grants. Of the total allocations received was recognized as revenue.

Table: Grants vs Expenditure Status

Grant	Allocation	Expenditure	Balance
MIG	181 247 000	181 247 000	0
MWIG	50 000 000	50 000 000	0
RBIG	30 217 969	5 927 293	24 290 676

- **Investments, Cash Flows and Borrowings**

- **Key Focus Area**

- Compliance with legislation
- Management of risk inclusive of Business Continuity Plan and implementation of proper internal controls
- Implementation of sound internal controls
- Implementation and the annual review of the District's:
- Investment and Banking policy
- Borrowing policy
- Develop sound financial reporting mechanism for the above functions
- Preparation of the Annual Financial Statements for Council and its entities
- Investment portfolio administration
- OPMS for finance department
- Submission of financial information for AFS preparation

- Prompt responses to internal and external audit queries

Compliance with all legislation applicable to local government and the compilation of fully GRAP compliant financial statements has been a challenging task which has been overcome through the cooperation of every department within the finance section. All inputs are co-ordinated by the Management accounts section and such information ultimately forms the core of the Annual Financial Statements.

- Cash Flow

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	VARIANCE %
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation						
Sale of goods and services	107 678 000	-15 809 000	91 869 000	-77 247 782	-169 116 782	-184
Government - operating	317 379 000	-3 743 000	313 636 000	317 379 000	3 743 000	1
Government - capital	238 932 000		238 932 000	244 420 768	5 488 768	2
Other receipts	358 000	0	358 000	220 613 518	220 255 518	61523
Interest income	13 324 000		13 324 000	32 206 100	18 882 100	14
Payments						
Employee costs	-224 709 000	5 332 000	-219 377 000	-217 839 305	1 537 695	-0.7
Suppliers and other	-262 904 000	3 298 000	-259 606 000	-449 088 445	-189 482 445	72
Finance costs	-60 000	60 000	0	-1 125 317	-1 125 317	0
Other payments						
Other cash item						
Total receipts	677 671 000	-19 552 000	658 119 000	737 371 604	79 252 604	12
Total payments	-487 673 000	8 690 000	-478 983 000	-668 053 067	-189 070 067	-39
Net cash flows from operating activities	189 998 000	-10 862 000	179 136 000	69 318 537	-109 817 463	-61
Cash flows from investing activities						
Purchase of property, plant and equipment	-319 070 000	58 166 000	-260 904 000	-178 260 347	82 643 653	32
Proceeds from sale of property, plant and equipment				-43 543	-43 543	-100

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	VARIANCE %
Other cash item				-543 600	-543 600	-100
Net cash flows from investing activities	-319 070 000	58 166 000	-260 904 000	-178 847 490	82 056 510	32
Cash flows from financing activities						
Repayment of other financial liabilities				-255 271	-255 271	100
Movement in other liability	413 000		413 000	1412 058	999 058	
Net cash flows from financing activities	413 000		413 000	1156 787	743 787	180
Net increase/(decrease) in cash and cash equivalents	-128 659 000	47 304 000	-81 355 000	-108 372 166	-27 017 166	33
Cash and cash equivalents at the beginning of the year	176 047 000	-30 959 000	145 088 000	145 087 575	-425	0
Cash and cash equivalents at the end of the year	47 388 000	16 345 000	63 733 000	36 715 409	-27 017 591	42

- **Borrowing and Investments**

INVESTMENTS	2013/2014	2014/2015	2015/2016
Current account - bank		41 689 016	1 507 806
Short term deposits - call accounts		103 386 459	35 195 503

The following table depicts some of the key ratios which gives a snap shot of the performance of the district municipality over the years.

Ratio	2014/2015	2015/2016
Current Ratio	1.19	1.03
Debt Coverage		
Cost Coverage		

4.2 Component B: Budget and Reporting

- **Key Focus Areas**

- Compliance with legislation
- Administration of Council's Standard Chart of Accounts
- Implementation of sound internal controls and risk management
- Implementation and the annual review of the District's:
- Budget policy
- Borrowing policy
- Virement policy
- Sound Financial Planning
- Sound financial reporting mechanism for the above functions
- Administration of Council's Insurance Portfolio
- Compilation of Financial implications for items serving at all Council Structures
- Compilation of the Budget, Adjustment Budget and midyear review in terms of the MFMA and the Municipal
- Budget & Reporting Regulations
- Providing Budgetary advice to all departments

- **Pressures Facing Municipalities' Budgets**

- Global economic meltdown
- Huge maintenance and service delivery backlogs
- Rising cost of Operations and Maintenance of water schemes
- Persistent drought in the region, requiring carting of potable water
- Maintaining collection rates at targeted levels
- Unpredictable sporadic changes to cost of fuel
- Increasing cost of electricity
- High maintenance and refurbishment expenditure of ageing infrastructure

- **Expenditure: Key Focus Areas**

- Compliance with legislation
- Management of risk inclusive of Business Continuity Plan and implementation of proper internal controls
- Develop sound financial reporting mechanism for the above functions

- Prompt payment of all categories of creditors
- Prompt payment of staff salaries and councillor allowances
- An accurate and effective financial management system
- Submission of financial information for AFS preparation
- Prompt responses to internal and external audit queries
- Management of salaries of permanent and contract staff

The Expenditure Section is structured into several subsections so as to ensure that adequate focus is placed on every aspect i.e. stringent monitoring of payments so as to comply with the requirements of the MFMA Act, as the accurate and timeous payments of staff salaries.

The core vision of the expenditure section, is to, with very limited resources, endeavour to settle payments timeously and ensure that payments are valid, accurate and in accordance with the statutory bodies such as SARS, National Treasury etc. The department also attempts to pay Service Providers less than 30 working days of receipt of invoices, to assist small businesses who are cash-strapped unless if there is an investigation with the payment or invoice concern.

The challenges that are faced by the department are:

- The suppliers' and internal departments' inability to send correct invoices and required documents on time in order to enable the department to fully achieve the vision of timeous payments of creditors.
- Late submission of invoices by supplier's that's incur interest that results in Fruitless expenditure
- Lack of submission of statements by suppliers in order to effectively prepare creditors reconciliations.
- Lack of compliance with the correct tax invoice by suppliers as per SARS regulations.
- Late submission of vouchers to the filling room.
- Short staffed, the volume of work has increases immensely as the Municipality is pushing to increase service delivery to the communities that will then increase the orders that are issued by the Municipality which will increase payments that we need to be done.
- Late submission of monthly payroll information that needs to be processed.
- Increase in the volume of work to be processed monthly since there are more employees that have been appointed.
- Limited filling space for salaries documents

Mitigations on the challenges

- A reconciliations towards documents that are received in the filling room with the documents costed on the financial system will be done in 2016/2017 financial year.
- Consultation with Eskom was done in 2015/2016 for them to email through all invoices due in order for the invoices to be paid on time
- Additional staff will need to be employed.
- A new Filling room for salaries information needs to be identified

Achievements

The expenditure Unit received an award last year (2015), in the UThukela performance awards as The Unit of the year 2014/2015 of UThukela District Municipality.

Asset Management

- **Assets Management: Key Focus Areas**
 - Compliance with legislation and implementation of proper internal controls
 - Management of risk inclusive of Business Continuity Plan and implementation of proper internal controls
 - Develop sound financial reporting mechanism for the above functions
 - Submission of financial information for AFS preparations
 - Prompt responses to internal and external audit queries
 - Proper planning and control over assets
 - Provide input and guidance on the capital plan of the municipality

The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfil its constitutional mandate for delivery of sustainable services and providing the basic needs to the community.

Assets are maintained and recorded in the fixed asset register which is in the format that complies with current standards of accounting practice and in accordance with the applicable GRAP as well as National Treasury.

- **Largest Assets Acquired**
- Asset 1

Name	OLIPHANTSKOP WATER TREATMENT WORKS			
Description	WATER TREATMENT WORKS			
Asset Type	INFRASTRUCTURE			
Key Staff Involved				
Staff Responsibilities				
	2012/13	2013/14	2014/15	2015/16
Asset Value	R36 818 307.17	R35 727 803.11	R34 010 797.05	R32 447 124.34
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in place to Manage Asset	Asset Management Policy			

- Asset 2

Name	Ezakheni water treatment works			
Description	Water treatment works			
Asset Type	Infrastructure			
Key Staff Involved				
Staff Responsibilities				
	2012/13	2013/14	2014/15	2015/16
Asset Value	R38 395 603.54	R37 429 054.94	R35 284 074.53	R33 507 227.86
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in place to Manage Asset	Asset Management Policy			

- Asset 3

Name	Gorge Cross Water Treatment Works			
Description	Water Treatment Works			
Asset Type	Infrastructure			
Key Staff Involved				
Staff Responsibilities				
	2012/13	2013/14	2014/15	2015/16
Asset Value	R50 440 868.81	R49 213 159.43	R47 309 389.44	R45 685 680.05
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in place to Manage Asset	Asset Management Policy			

Component C: Other Financial Matters

- **Supply Chain Management**

The percentage of processing goods and services less than R30 000.00 within 14 days has been increased to 100% and its being maintained.

The percentage of processing goods and services between R 30 000.00 and R200 000.00 within 30 days has been increased to 100%.

The percentage of processing goods and services through tender process within 90 days has been increased to 100%.

Stock count is being conducted on monthly basis and reconciled.

- **GRAP Compliance**

Brief Narrative required

- **mSCOA Compliance**

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation, such measures in terms of section 168 thereof. In terms of section 169(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Minister of Finance has signed into effect and subsequently published the Municipal Regulations on a Standard Chart of Accounts (mSCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577 subsequent to formal consultation.

The mSCOA regulation is, in the viewpoint of National Treasury, the biggest reform in Local Government since the implementation of the MFMA. It is not just a financial reform, but an organisational reform.

Chapter Five

5.1 Auditor-General Findings

- **Introduction**

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

5.2 Component A: Auditor-General Opinion of Financial Statements Year -1

- **Auditor-General Report: 2014/2015**

The Consolidated Annual Financial Statements for 2014/2015 were submitted to the Auditor-General on 31 August 2015 for auditing in compliance with Section 126 (1) (b) of the MFMA. The qualified Audit Report for the 2014/2015 financial year.

5.3 Auditor-General Report: 2015/2016

The Consolidated Annual Financial Statements for 2015/2016 were submitted to the Auditor-General on 31 August 2016 for auditing in compliance with Section 126 (1) (b) of the MFMA. The unqualified Audit Report for the 2015/2016 financial year.

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

Report on the financial statements

Introduction

1. I audited the financial statements of the uThukela District Municipality in annexure B set out on pages 01 to 80, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

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

Auditor-general's responsibility

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

the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of matters

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

Material losses and impairments

8. As disclosed in note 53 to the financial statements, the municipality incurred water losses of 26,37 million kilolitres (2015: 24,28 million kilolitres) amounting to R153,48 million (2015: R122,55 million). The losses arose from the deterioration of the water reticulation networks; unmetered water connections; burst pipes; unauthorised consumption and provision of water to areas where there was no water infrastructure.
9. As disclosed in note 47 to the financial statements, material losses of R34,81 million (2015: R161,26 million) were incurred as a result of a write-off of irrecoverable debtors.
10. As disclosed in note 11 to the financial statements, the municipality raised a provision for bad debt impairment of R430,42 million (2015: R372,37 million) on consumer debts as the recoverability of these amounts were doubtful.

Additional matters

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

Unaudited supplementary schedules

12. The supplementary information in annexure B set out on pages 81 to 89 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

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

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure development priority presented in the annual performance report of the municipality for the year ended 30 June 2016.
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priority. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPPI).
18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material finding in respect of the selected development priority is as follows:

Basic service delivery and infrastructure development

Reliability of reported performance information

20. The FMPPPI requires the municipality to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable

corroborating evidence could not be provided for the reported achievements against planned targets for 28% of the indicators.

Additional matters

21. I draw attention to the following matters:

Achievement of planned targets

22. The annual performance report on pages 10 to 16 which includes information on the achievement of the planned targets for the year should be considered in the context of the material finding on the reliability of the reported performance information for the selected development priority reported in paragraph 20 of this report.

Unaudited supplementary schedules

23. The supplementary information set out on pages 1 to 9 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

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

Strategic planning and performance management

25. The amendments to the integrated development plan (IDP) was adopted by the council without the proposed amendment being published for public comment for the duration required by Municipal Planning and Performance Management Regulation (MPPMR) 3(4)(b).
26. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by sections 38 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulation 7 of the MPPMR.
27. Key performance indicators (KPIs) in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and the MPPMR 1 and 9(1)(a).
28. The KPIs set by the municipality did not include indicators on percentage of households with access to basic level of sanitation as required by section 43(2) of the MSA and the MPPMR 10(a).

Procurement and contract management

29. I could not obtain sufficient appropriate audit evidence that goods and services of a transaction value above R200 000 were procured by inviting competitive bids, as required by supply chain management (SCM) regulation 19(a).
30. **Thresholds for local content on designated sectors' procurement were not properly** applied in accordance with the requirements of Preferential Procurement Regulation 9 of 2011, issued in terms of the Preferential Procurement Framework Act of South Africa, 2000 (Act No. 5 of 2000).
31. I could not obtain sufficient appropriate audit evidence that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

Expenditure management

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

Revenue management

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

Consequence management

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

Internal control

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

Leadership

36. Leadership did not provide adequate oversight, monitoring controls and consequence management in ensuring that effective measures were taken to fully address previous findings on predetermined objectives and compliance with legislation. This was due to slow responses in addressing recommendations.

Financial and performance management

37. Senior management did not implement proper record management systems for the maintenance of documents supporting reported performance and compliance with procurement and contract management. This was due to lack of monitoring by senior management and the late filling of key positions.

Other reports

38. I draw attention to the following engagement that could potentially impact on the financial, performance and compliance related matters. My opinion is not modified in respect of this engagement that has been completed.

Investigation

39. An independent consulting firm performed an investigation which covered a period from 1 March 2013 to 28 February 2014. The investigation was based on an allegation of **possible misappropriation of the municipality's assets**. The investigation concluded in 2016 with a further six employees dismissed in the current year and one case being referred to the labour court.

Pietermaritzburg

29 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURES

ANNEXURE A: 2015/2016 Annual Performance Report

ANNEXURE B: Consolidated 2015/2016 Annual Financial Statements

ANNEXURE C: Final Audit and Performance Committee Report

Annexure A



U.S. DISTRICT COURT

DISTRICT OF COLUMBIA

DISTRICT OF COLUMBIA

ANNUAL PERFORMANCE REPORT 2015/2016

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ANNUAL PERFORMANCE REPORT INTRODUCTION AND PURPOSE



MR SN KUNENE
MUNICIPAL MANAGER

The purpose of this report is to reflect the actual performance of UThukela District Municipality as measured against the performance indicators and targets in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2012/2013. Good performance information helps identify what policies and processes work and why they work. Performance information is essential for

effective management, including business planning, monitoring and evaluation. Externally,

performance information allows effective accountability with appropriate information; members of the public and other stakeholders are able to exert pressure for improvements and can better understand the issues involved. This report will also endeavour to report to Council the Municipality's performance in terms of the six (6) National Key Performance Areas for local government, which are:

- ✦ Municipal Institutional Transformation and Development;
- ✦ Basic Service Delivery
- ✦ Municipal Financial Viability and Management
- ✦ Good Governance and Public Participation
- ✦ Local Economic Development;
- ✦ Cross cutting issues.

The Annual Performance Report of UThukela District Municipality is hereby presented in terms of the Municipal Systems Act (MSA), 32 of 2000, section 46(1) and (2), as well as the MFMA Circular 11 on annual reporting. This report covers the performance information from 01 July 2015 to 30 June 2016 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development Plan (IDP). UThukela District Municipality quarterly aligns the performance of the municipality against the set targets on the Municipal SDBIP. This performance seeks to attain the following:

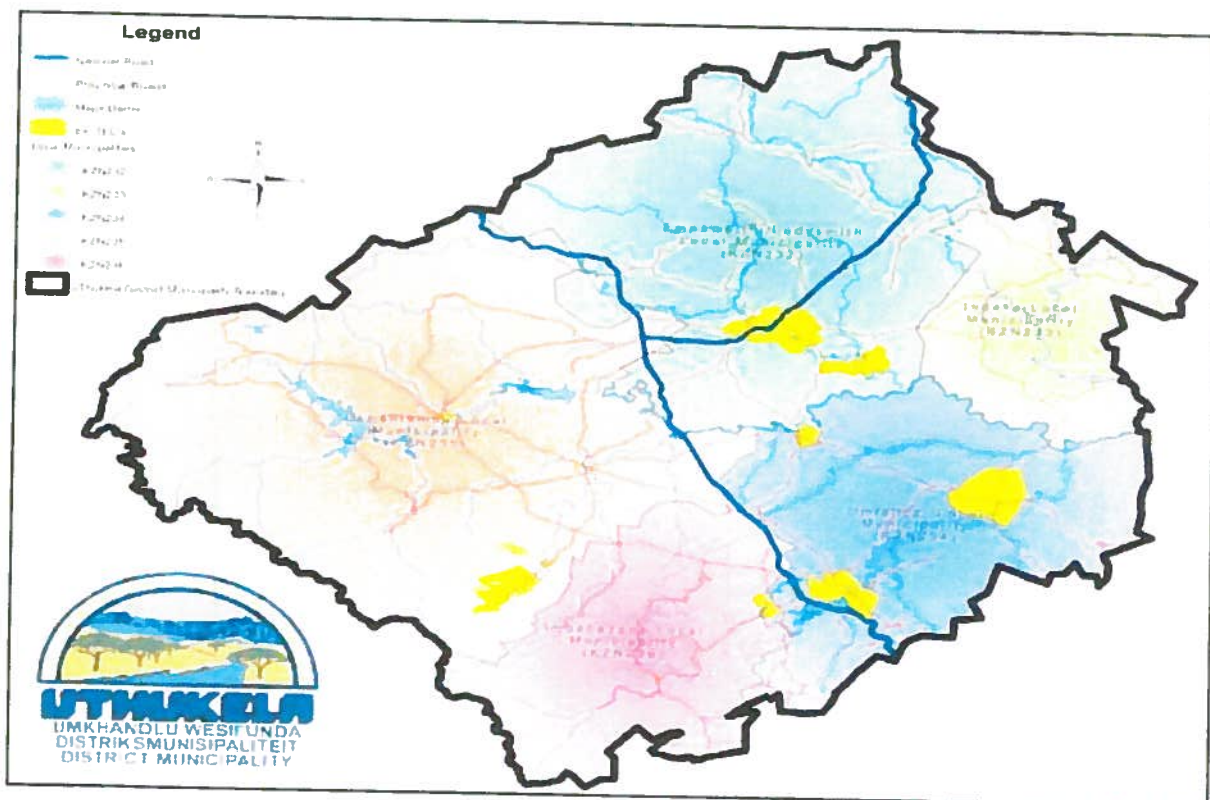
- ✚ Indicating progress against objectives;
- ✚ Prompting an external focus by public institutions on transparency, accountability, and progress on service delivery;
- ✚ Ensuring the best results for citizens;
- ✚ Identifying gaps between policy formulation and policy implementation; enhancing strategic planning processes.

MUNICIPAL OVERVIEW

UThukela district municipality (DC23) is one of ten district municipalities in the Province of KwaZulu-Natal. uThukela district municipality derives its name from one of the major rivers in the Province of KwaZulu-Natal, the uThukela River that rises from the Drakensberg Mountains and supplies water to a large portion of KZN and as well as Gauteng. UThukela district municipality has three district municipalities bordering onto it within the Province of KwaZulu -Natal, namely Amajuba, uMzinyathi and UMgungundlovu.

UThukela district municipality consists of five local municipalities namely:

- ✚ Indaka (KZ233);
- ✚ Emnambithi/Ladysmith(KZ232);
- ✚ Umtshezi (KZ234);
- ✚ Okhahlamba(KZ235) and
- ✚ Imbabazane (KZ236)



UTHUKELA DISTRICT MUNICIPALITY MAP

VISION, MISSION AND CORE VALUES

VISION

A stable, sustainable and prosperous district with committed servants who serve with excellence in governance, service delivery and economic development

MISSION

We promote a people-centred environment with emphasis on consultation, integrity, accountability, economy, effectiveness and efficiency

CORE VALUES

- ✚ *Solidarity;*
- ✚ *Honesty;*
- ✚ *Ownership;*
- ✚ *Professionalism;*
- ✚ *Self-reliance*

LEGISLATIVE REQUIREMENT

This Annual Performance Report has been compiled in compliance with the requirements of section 46 (1) of the Local Government: Municipal Systems Act, 2000; which stipulates as follows:

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

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organisation as well as the external service providers and the Municipal Entities. This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

PERFORMANCE MANAGEMENT PROCESS OVERVIEW

In order to improve on performance planning, implementation, reporting and measurement, the institution implemented the following actions; there has been a reduction in the number of KPI's that the Municipality is reporting on. The reduction on the number of KPIs afforded the institution the opportunity to focus on strategic issues which were well defined. Departmental operational plans were developed for monitoring and reporting operational programmes. The Municipality endeavoured during the development of the Top Layer as well as with the development of the Departmental SDBIP that the "SMART" principle was adhered to in the setting of indicators and objectives. Emphasis was placed on ensuring that targets were specific and time bound, thus making it measurable.

UThukela District Municipality has a performance evaluation system in place for Section 56/57 employees, and as envisioned in the 2014/2015 Annual Report that this process will be cascaded in terms of the Systems Act. However the cascading down of Performance Management System to lower post levels still poses a serious challenge. The matter is still open for debate at the Local Labour Forum comprising of IMATU, SAMWU, Council and management representatives, the thorny issue being the reward system for outstanding performance. This problem needs to be attended at the Divisional Bargaining Council, however the Individual Performance Management System (IPMS) policy is being implemented nonetheless.

PERFORMANCE MANAGEMENT CHECKLIST

PMS Item in place	Y/N
Performance Management Framework	Y
All MSA s57/56 Performance Agreements signed	Y
Audit & Performance Audit Committee	Y
Municipal Public Accounts Committee (MPAC)	Y
Quarterly Performance Reporting to Council	Y
Annual Reporting to Council	Y

PERFORMANCE MANAGEMENT HIGHLIGHTS FOR 2015/2016

PMS ITEM CONDUCTED	Y/N
Section 54/56 managers performance agreements were signed	Y
Annual Performance Report submitted to AG in August 2015	Y
Annual Report tabled to council in January 2016	Y
Mid-Year Performance Report submitted to treasury by 25 January 2016	Y
Quarterly PMS Reports were submitted to council	Y
Performance Assessments conducted quarterly	Y
Audit and Performance Audit Committee is functional	Y
Consultative meetings were conducted	Y

SERVICE PROVIDERS PERFORMANCE ASSESSMENT

This is an assessment of external service providers in terms of section 46(1) (a) of the Municipal Systems Act, 32 of 2000

PROJECT DESCRIPTION	ENGINEERING CONSULTANT	ISD CONSULTANT	CONTRACTOR	Expenditure To Date	PERIOD		Progress to Date and Rating		Good/
					START DATE	END DATE	Target	Actual	
gville er eme	Eca Consulting	n/a	SBT Civils	R 14,073,841	11 June 2014	15 Sept2015	100%	63%	Poc
ikuzulu/E ingweni ise 1	Sukuma Consulting	Lwazi	Hidrotech	R15 026 777.00	1 March 2013	1 May 2015	100%	100%	Good
ikuzulu/Ep ingweni ise 3	Sukuma Consulting	Lwazi	SBT Civils	R 13 145 943.00	1 Nov 2012	1Feb 2015	100%	100%	Good
ikuzulu/E ingweni ise 4	Sukuma Consulting	Lwazi	Hidrotech	R 14 574 665.86	1 Mar 2013	1 Apr 2015	100%	100%	Good
ikuzulu/Ep ingweni ise 5	Sukuma Consulting	Lwazi	Namandla Civils	R 76 789 922.67	1 May 2013	1 Nov 2015	100%	68%	Poor
ikuzulu/E ingweni ise 6	Sukuma Consulting	Lwazi	Water Skills	R 14 118 595.83	1 Jun 2014	1 Feb 2015	100%	85%	Satis
ikuzulu/Ep ingweni ise 7	Sukuma Consulting	Lwazi	Winwater Mechanica l & electrical Projects	R 4 233 069.71	22 February 2016	22 May 2017	20%	28%	Good
ikuzulu/E ingweni ise 8	Sukuma Consulting	Lwazi	JJS Leomat JV	R 4 160 561.04	30 May 2016	30 September 2017	15%	16.7	Good
Par munity er Supply	Sivest Consulting	In House	Umso	R 12 372 207.92	21 Aug 2015	13 Apr 2016	Construct 2 reservoirs	1 reservoir s construc ted	Poor
inobamb zitendeni er supply se 1A	Eca Consulting	ZG Training	Pilcon Projects	R 17 319 719.37	21 May 2013	04 Nov 2015	100%	100%	Good
inobamb zitendeni er supply e 1B	Eca Consulting	ZG Training	Pilcon Projects	R 32 450 518.09	23 Apr 2014	26 Nov 2016	100%	96%	Satisfc
inobamb zitendeni er supply e 1C	Eca Consulting	ZG Training	Makhubu Civils	R 7 752 537.49	23 Apr 2014	23 Mar 2015	100%	100%	Good
inobamb zitendeni	Eca Consulting	ZG Training	Khethwayo Constructio	R 13 154 086.16	23 Apr 2014	23 Mar 2015	100%	100%	Good

Water supply Project 1D									
anobamb zitendeni Water supply Project 1E	Eca Consulting	ZG Training	Shula Constructio n	R 17 457 381.12	07 May 2015	20 Jun 2016	100%	100%	Go
anobamb Water Project 10	JG Afrika	Changin g Tides	Kulu Civils	R 25 663 345.55	21 May 2014	31 Mar 2015	100%	80%	Sati
anobamb Water Project 10	Sukuma consulting	In House	Sinethemb a	R 6 560 398.47	01 Aug 2015	30 Apr 2017	100%	95%	Sati
anobamb Water Project 12C	ECA Consulting	ZG Training	Sikoti Investments CC	R 296 820.00	24 Mar 2016	19 Feb 2017	10%	10%	Sati
anobamb Water Project Phase	ECA Consulting	ZG Training	Shula Constructio n	R 4 886 473.98	24 Mar 2016	19 Jun 2017	20%	26%	Goo
anobamb Water Project Phase	WMN Consultancy	Nhloso Develop ment Consulta nts cc	Esor Constructio n	R 27 186 775.00	24 Feb 2016	24 Jan 2017	30%	47%	Goo
anobamb Water Project Phase	Sukuma Consulting	In House	Mayibuye/ Maswidi JV	R 2 840 791.68	25 Jun 2014	15 Jan 2015	100%	60%	Poor

PERFORMANCE PER NATIONAL KEY PERFORMANCE AREA

The municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA.

Indicator	Indicator Description	Indicator Unit	Indicator Value	Indicator Status	Indicator Comments	Indicator Source	Indicator Date	Indicator Period	Indicator Frequency	Indicator Review	Indicator Action	Indicator Outcome	Indicator Impact	Indicator Benefit	Indicator Cost	Indicator Risk	Indicator Mitigation	Indicator Overall
BITO 004	Percentage of budget spent on free basic services	Percentage	100%	Achieved	This indicator refers to the amount of money allocated for provision of free basic services against the amount spent out of it	Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CS 013	Improved Audit Opinion through proper systems and comply with legislation	Percentage	85%	Partially Achieved	This refers to number of corporate services queries received and attempted to be resolved against number of queries attended	Percentage	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
IMHWSA 003	Number of food premises inspected	Number	200	Achieved	This refers to checking whether the yard is well kept, they check the kitchen in terms of Reg 1802	Number	200	200	200	200	200	200	200	200	200	200	200	200
IMHWSA 004	Number of waste water samples taken in the 9 plants	Number	108	Achieved	This indicator relates to the monitoring of the quality of treated waste water discharged from waste water works into a water course and to ensure compliance with DWS waste water quality standards	Number	108	108	108	108	108	108	108	108	108	108	108	108
IMHWSA 005	Number of water samples taken	Number	1792	Achieved	This indicator relates to the monitoring of the quality of purified water supplied from the water supply systems to water consumers, both domestic and industrial to ensure compliance with drinking water standards SANS 241:15	Number	1792	1792	1792	1792	1792	1792	1792	1792	1792	1792	1792	1792
IMHWSA 006	Number of action plans developed to address blue drop requirements	Number	1	Achieved	This indicator relates to the development of an action plan to address Blue Drop System requirements as determined by Department of Water and Sanitation so as to improve operations of water supply systems	Number	1	1	1	1	1	1	1	1	1	1	1	1
IMHWSA 007	Number of action plans developed to address green drop requirements	Number	1	Achieved	This indicator relates to the development of an action plan to address Green Drop System requirements as determined by Department of Water and Sanitation so as to optimize the operation of waste water plants	Number	1	1	1	1	1	1	1	1	1	1	1	1
IMHWSA 008	Number of action plans developed to address no drop requirements	Number	1	Achieved	This indicator relates to the development of an action plan to address No Drop System requirements as determined by Department of Water and Sanitation so as to conserve water	Number	1	1	1	1	1	1	1	1	1	1	1	1
IMHWSA 009	Number of MOU developed between water services authority and water services provision	Number	1	Achieved	A memorandum of understanding with Water Services Provider (WSP) containing the specific roles and responsibilities of Water Services Authority Section and Water Services Provision Department including performance targets to be achieved by the Water Services Provider must be signed in line with Section 20 of the Water Services Act	Number	1	1	1	1	1	1	1	1	1	1	1	1
SED 001	Date of adoption 2016/2017 IDP Process Plan	Date	30/06/2015	Achieved	This indicator refers to a plan to ensure the proper management of the planning process	Date	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015
SED 002	Number of IDP Consultative meetings conducted	Number	4	Achieved	This indicator refers to the IDP/Budget meetings held between the Mayor and relevant stakeholders	Number	4	4	4	4	4	4	4	4	4	4	4	4
WT 501	Percentage of households with access to portable water as per demand	Percentage	100%	Achieved	This indicator refers to all households provided with	Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
WT 502	Number of households provided with sanitation in Bergville	Number	7500	Achieved	Construction of Ventilated PH Latrine Toilets in Ward 4	Number	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500
WT 503	Number of households provided with Sewer Connection Points in Ekurhuleni	Number	60%	Achieved	Construction of Sewer Infrastructure to households	Number	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
WT 504	Number of households connected with yard connections at Ekurhuleni E water project	Number	642	Achieved	Creating the network and connecting households	Number	642	642	642	642	642	642	642	642	642	642	642	642
WT 505	Number of developed maintenance plans for operational plants for all existing treatment works	Number	23	Not Achieved	This indicator refers to reports and maintenance of operational plants for all existing treatment works	Number	23	23	23	23	23	23	23	23	23	23	23	23

improve the quality and consistency of services provided	WTS06	Number of water treatment works refurbished	Exelshem, Ladyrsmith, George Cross Treatment works. Upgrade of existing Pumps, Mechanical, and Electrical Equipment. Installation of Bulk Meters	Number	New indicator	CAPEX	3	2	Partially Achieved	R4,665,504	There were financial constraints on the planned budget which can only cover 2 plants	The revised plan will be drafted to incorporate the outstanding work, by September 2016	Water and Technical Infrastructure Services	Close out report
	WTS07	Number of waste water treatment works schemes refurbished	Ladyrsmith, George Cross Treatment works. Upgrade of existing Pumps, Mechanical, and Electrical Equipment. Repairs, Detergers, Pumps	Number	New indicator	na	2	2	Achieved	na	na	na	Water and Technical Infrastructure Services	Close out report
	WTS08	Percentage of sewerage spillage incidents repaired	Repair River Sewer Crossings and overflowing manholes	Percentage	New indicator	CAPEX	100%	100%	Achieved		na	na	Water and Technical Infrastructure Services	Signed report
	WTS09	Percentage of grant allocated for the current year spent	Total allocation against budget spent	Percentage	New indicator	CAPEX	100%	100%	Achieved	R160,211,202	na	na	Water and Technical Infrastructure Services	Expenditure report
	WTS10	Date of submission of feasibility report for Langwille bulk water supply (sewer)	Conducting Survey	Date	New indicator	na	30/06/2016	30/06/2016	Not Achieved	na	na	na	Water and Technical Infrastructure Services	Feasibility Report (Final) Of Submission
	WTS11	Percentage of progress implementation of Makhambhe water supply	Phase 13 Installation of Bulk Pipe lines and reticulation network	Percentage	New indicator	CAPEX	30%	22%	Partially Achieved	R8,936,362	The was an objection from service providers	The project will be reworked and ensure that project continues	Water and Technical Infrastructure Services	Gantt Chart Progress reports
	WTS12	Percentage of progress for Bhekuza/Ephephweni 7 community water supply project	Shwaku Phase 7 Installation of Bulk Lines, Reservoirs and Retention	Percentage	New indicator	CAPEX	20%	28%	Achieved	R4,273,870	na	na	Water and Technical Infrastructure Services	Gantt Chart Progress reports
	WTS13	Percentage of progress of Exelshem-Emancip bulk water infrastructure project (Lambdabong)	Construction of new pipe line. Upgrade of the Bulk System	Percentage	New indicator	CAPEX	30%	28%	Partially Achieved	R27,186,775	na	na	Water and Technical Infrastructure Services	Gantt Chart Progress reports
	WTS14	Percentage of completion of Emancip bulk water supply project Phase 1a	Construction of Bulk Pipeline (Connecting pipeline from Main Reservoir to Community Feeder Reservoirs)	Percentage	New indicator	R17,310,710	100%	100%	Achieved	R17,310,710	na	na	Water and Technical Infrastructure Services	Progress Report
	WTS15	Percentage of completion of Emancip bulk water supply project Phase 1b	Construction of Bulk Pipeline (Connecting pipeline from Main Reservoir to Community Feeder Reservoirs)	Percentage	New indicator	CAPEX	100%	98%	Not Achieved	R12,450,518	There were delays on working there was not water available	The water tanks have been obtained in accordance with testing by September 2016	Water and Technical Infrastructure Services	Progress Report
	WTS16	Percentage of construction of Emancip bulk water supply project 1c	This indicator refers to a construction of Reservoirs	Percentage	New indicator	R7,752,537	100%	100%	Achieved	R7,752,537	na	na	Water and Technical Infrastructure Services	Progress Reports Closeout Report
	WTS17	Percentage of construction of Emancip bulk water supply project 1d	Construction of Bulk Pipeline (Connecting pipeline from Main Reservoir to Community Feeder Reservoirs)	Percentage	New indicator	R17,457,381	100%	100%	Achieved	R17,457,381	na	na	Water and Technical Infrastructure Services	Progress Reports Closeout Report
	WTS18	Number of newly drilled and refurbished boreholes at Ohaharand and Isakala	Drilling and Equipping of new boreholes and existing	Number	New indicator	R8,092,782	300	310	Achieved	R8,092,782	na	na	Water and Technical Infrastructure Services	Progress Reports Closeout Report
	WTS19	Number of Reservoirs constructed at Umkhamsi (if any park)	This indicator refers to part one of the construction of reservoirs at Umkhamsi - if any Park project	Number	New indicator	CAPEX	2	1	Not Achieved	R12,372,207	There are no reservoirs complete in terms of water testing	The structure of the reservoirs are complete the water is in order to address by providing water tanks by September 2016	Water and Technical Infrastructure Services	Progress reports
	WTS20	Percentage of Dwellbush upgrading of Burford water supply scheme project (Stage 1)	Construction of reservoir and bulk pipeline	Percentage	New indicator	R65,200,600	100%	100%	Achieved	R65,200,600	na	na	Water and Technical Infrastructure Services	Progress reports
	WTS21	Number of households provided with Sandaban in Emancip ward 18	Installation of VPP tanks in each household	Number	New indicator	R5,200,853	524	524	Achieved	R5,200,853	na	na	Water and Technical Infrastructure Services	Beneficiary List Progress report
	WTPA 3 Municipal Financial Viability and Management													
	BTO 005	Ratio on financial viability in terms of self coverage	Ratio: Total operating revenue received minus operating grants divided by debt service payments (i.e. interests plus redemption)	Ratio	80%	80%	na	1.03	0	Not Achieved	na	All loans were repaid, therefore the municipality is not servicing any loan	Budget and Treasury Office	Reports to Council calculation sheet
	BTO 006	Ratio on financial viability in terms of cost coverage	Ratio: Available cash plus investments divided by monthly fixed operating expenditure	Ratio	80%	80%	na	1.02	1.02	Not Achieved	na	Council is in the process of implementing MFMA Circular 82 which refers to cost containment measures. Procurement Plan for all departments needs to be submitted to the SCM Unit before the commencement of the financial year	Budget and Treasury Office	Reports to Council calculation sheet
	BTO 007	Ratio on financial viability in terms of outstanding service debtors to revenue	Ratio: Outstanding service debtors divided by annual revenue actually received for services	Ratio	100%	100%	na	1.01	1.04	Partially Achieved	na	Recoveries are included on the total balance and that will undertake collections	Budget and Treasury Office	Reports to Council calculation sheet
	BTO 008	Number of monthly debtors age analysis submitted to Council	This indicator refers to an analysis of outstanding debtors according to the number of days outstanding	Number	12	12	na	12	12	Achieved	na	na	Budget and Treasury Office	Age analysis report and council resolution

increase income through effective financial management

increase the capacity of the municipal infrastructure

IST O 008	Number of monthly creditors age analyses submitted to Council	This indicator refers to an analysis of outstanding creditors according to the number of days outstanding	Number	12	12	12	12	12	12	11	Partially Achieved	n/a	Two planned council meetings did not quote	Reports will be submitted in the next council meeting	Budget and Treasury Office	n/a	Reports to Council
IST O 010	% of Billed Amounts collected	The actual cash payments received per month compared to the total amount billed to customers. It also takes into consideration adjustments of billing formula used in the and amount of cash collected divided by the and amount billed by the income section	Percentage	80%	80%	n/a	n/a	n/a	n/a	50%	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	section 71 (collection rate table 7)
IST O 011	% savings of operating costs	This indicator tries to measure how much savings have been achieved on the Operational Budget. They will be determined by comparing actual budget against actual expenditure, and they will however exclude repair and maintenance	Percentage	New indicator	New indicator	n/a	n/a	n/a	n/a	19%	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	section 71 (financial performance)
IST O 012	Percentage of processing of goods and services less than R130 000 within 14 days	This refers to goods and services procure which are less than R130 000 in terms of the Municipal SCM Policy	Percentage	100%	100%	n/a	n/a	n/a	n/a	100%	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	Regulation, quotation and order
IST O 013	Percentage of goods and services processed within 30 days	This indicator refers to those goods and services from R130 000 to R100 000 in terms of Municipal SCM Policy	Percentage	100%	100%	n/a	n/a	n/a	n/a	81%	Partially Achieved	n/a	Critical positions were vacant within SCM unit	Critical positions have been filled within SCM unit	Budget and Treasury Office	n/a	Regulation, quotation and order
IST O 014	Percentage of goods and services processed within 90 days through tender processes	This indicator means the procurement of goods and services through the tender process within 90 days after the tender is advertised	Percentage	100%	100%	n/a	n/a	n/a	n/a	89%	Partially Achieved	n/a	Critical positions were vacant within SCM unit	Critical positions have been filled within SCM unit	Budget and Treasury Office	n/a	SCM Reports, tender register
IST O 015	Number of monthly reports submitted to National Treasury within 10 working days	These are monthly reports submitted to National Treasury within 10 working days beginning of the month in terms of MFMA	Number	New indicator	New indicator	n/a	n/a	n/a	n/a	12	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	Email proof
IST O 016	Number of monthly reports submitted to the Mayor within 10 working days	These are monthly reports submitted to the Mayor within 10 working days beginning of the month in terms of MFMA	Number	12	12	n/a	n/a	n/a	n/a	6	Partially Achieved	n/a	Planned FIP committee meetings did not quote	Reports will be submitted directly to the Mayor	Budget and Treasury Office	n/a	Finance and budget portfolio form and recommendations
IST O 017	Number of monthly budget submissions reports submitted to Council	This document is submitted to comply with section 71(1) of the Municipal Finance Management Act (MFMA) by submission of a report in a prescribed format to the Mayor within 10 working days after the end of each month on the state of the Municipality's budget	Number	12	12	n/a	n/a	n/a	n/a	10	Partially Achieved	n/a	Two planned council meetings did not quote	Reports will be submitted in the next council meeting	Budget and Treasury Office	n/a	section 71 Council Resolution
IST O 018	Date of submission of Annual Financial Statements to the AG	This indicator refers to the submission date of the unaudited 2014/2015 annual financial statements to the Auditor General	Date	New indicator	New indicator	n/a	n/a	n/a	n/a	31/08/2015	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	Annual financial statements and proof of submission
IST O 019	Percentage of queries received and attended to by the management	This refers to number of finance related AG queries received against number of queries attended	Percentage	100%	100%	n/a	n/a	n/a	n/a	85%	Partially Achieved	n/a	Other issues like revenue and irregular expenditure were in July 2016	Issues raised by AG will be attended to before the next audit is issued by August 2016	Budget and Treasury Office	n/a	AG dash board report
IST O 020	Number of quarterly stock counts conducted	This is a number of stock counts conducted on quarterly basis	Number	New indicator	New indicator	n/a	n/a	n/a	n/a	4	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	Stock sheets
IST O 021	Number of quarterly assets verification conducted	This includes updating the assets register and identification of obsolete assets and completion of assets counts and verifications	Number	New indicator	New indicator	R2 500 000.00	n/a	n/a	n/a	2	Achieved	n/a	n/a	n/a	Budget and Treasury Office	n/a	Asset verification report
IST O 024	Percentage of departmental budget spent by the 30th June 2016	This refers to the total operational budget after budget adjustment against the available finance at the end of financial	Percentage	100%	100%	R64 541 000	n/a	n/a	n/a	98.02%	Partially Achieved	R63 654 877	The expenditure is aligned to the operational requirements, therefore the budget was spent according to the requested requirements	Proper budget monitoring will be introduced	Corporate Services	n/a	Expenditure report and budget
IST O 025	% of operations and maintenance budget spent in the current financial year	Monitoring of operational expenditure against the budget	Percentage	New indicator	New indicator	R41 695 000	n/a	n/a	n/a	100%	Achieved	R28 827 369	n/a	n/a	Municipal Health and Water Services Department	n/a	Expenditure report
IST O 026	Number and types of Mayoral consultative meetings conducted by the Mayor	This refers to the number of IDP and Budget consultative meetings conducted by the UDM in all local municipalities within a district jurisdiction. A meeting means each community gathering called by the Mayor in each municipality. Two meetings per municipality	Number	4	4	R2 645 000.00	n/a	n/a	n/a	12	Achieved	R2 250 072.43	n/a	n/a	Office of the Municipal Manager	n/a	Minutes of the meetings

SED 008	Number of functional LED structures setup by the district (AgriPARK and LED and tourism)	Number	1	1	2	3	Achieved	n/a	Social and Economic Services	n/a	Minutes and attendance register
SED 009	Date of development of Municipal Disaster Management Plan	Date	30/06/2015	DMP draft was in place	30/06/2016	23/08/2016	Not Achieved	n/a	Social and Economic Services	n/a	Council Resolution
SED 010	Percentage of reported disaster incidents responded to within 72 hours	Percentage	100%	100%	100%	100%	Achieved	n/a	Social and Economic Services	n/a	Reported report and assessment form
SED 011	Number of lightning conductors installed	Number	New indicator	New indicator	80	70	Partially Achieved	70 lightning conductors were installed out of 80 there was a delay in delivery	Social and Economic Services	n/a	CPS coordinates and close out report
SED 012	Number of District Planning Forum meetings	Number	New indicator	New indicator	n/a	3	Achieved	n/a	Social and Economic Services	n/a	Minutes and attendance register

1. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Out of 30 indicators under Municipal Transformation and Institutional development the municipality achieved 93%. The Municipality has shown great improvement in terms of Municipal Transformation and institutional development: The Audit and Performance Committee is functional and the relevant policies have been adopted as per legislation. The Performance Management System has been cascaded to Middle Managers. The municipality has complied with the risk management policy and framework.

In order for the Municipality to comply with the records management procedure, the records policy was submitted to Provincial Achieves for assessment. The Records Policy has been adopted by Council

The challenges uncouncted under this National Key Performance Area was the Assessment of section 56 managers.

2. BASIC SERVICE DELIVERY

The municipality has managed to achieve 72% of the planned targets. Basic Service Delivery is the core function of the organisational grants have been utilised that were allocated to the municipality. Although challenges have been uncouncted, project monitoring is still a mile stone the municipality has to overcome.

3. Municipal Financial Viability and Management

The municipality has managed to achieve 50% under this National Key Performance Area. There has been major challenges in the revenue section and collecting revenue. The organisation has development action plan to address the challenges uncouncted.

4. Good Governance and Public Participation

The organisation has faced great challenges under this National Key Performance Area, which attributed the achievement of 30%.

5. Local Economic Development

The organisation has achieved 100% out of the planned indicators under Local Economic Development. This is one of the highlights of the organisation.

6. Cross Cutting Issues

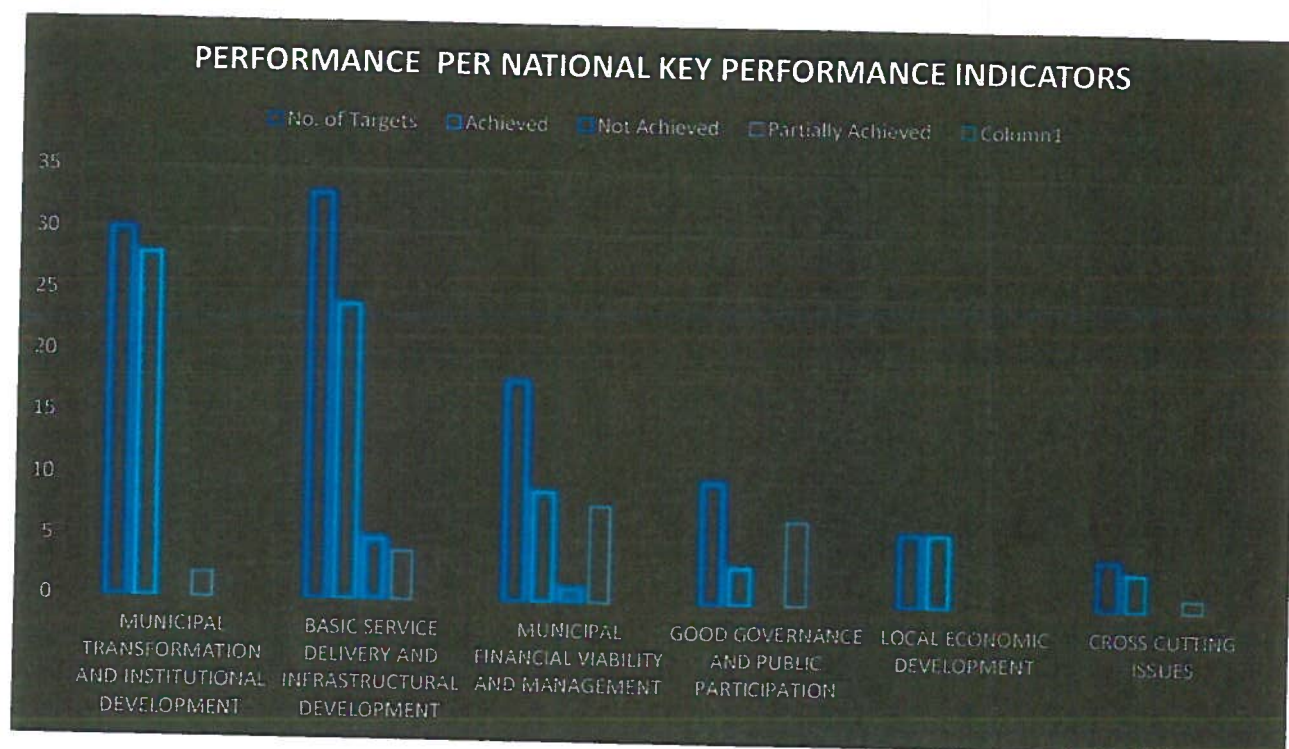
The municipality has achieved 75% in this National Key Performance Area

PERFORMANCE MANAGEMENT STATUS

	No. of targets	Targets Achieved	Not Achieved Targets	Partially Achieved Targets
Municipal Transformation & Organizational Development	30	28	0	02
Basic Service Delivery	33	24	05	04
Municipal Financial Viability	18	09	01	08

and Management				
Good Governance and Public Participation	10	03	0	07
Local Economic Development	06	06	0	0
Cross Cutting Issues	04	03	0	01

Table: Summary of National Key Performance Areas



CONCLUSION

Despite various challenges and historic events which led to the decline in provision of services to the Community, UThukela District Municipality under trying circumstances did its best with limited resources and capacity to serve the people.

The 2015/2016 Financial was focused on re-engineering the organisation and bringing change within the Municipality, higher levels of performance are expected in the next financial year when the plans are at a higher maturity level of implementation. Many of the challenges which were impeding on service delivery and implementation of plans have been addressed and change will be visible in the next financial year.

Out of the 101 indicators, the municipality has achieved 72% overall. This faces a huge challenge in making sure that the organisation improves on performance.

I wish to extend my gratitude to the Municipal Council as well as to all the employees of UThukela District Municipality who willingly and competently assisted to ensure that the Municipality is well on its way to becoming "People Centred and Performance Drive".



SN KUNENE
MUNICIPAL MANAGER

Annexure B