

ANNEXURE A

Auditor-General of South Africa

UThukela District Municipality -
Audit report 2016-17

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

Report on the audit of the financial statements

Qualified opinion

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

Basis for qualified opinion

Revenue – Service charges

3. The municipality did not recognise all items that met the definition of revenue from exchange transactions in accordance with SA Standard of GRAP 9, *Revenue from exchange transactions*. Revenue from service charges were not accounted for at the fair value of the consideration received or receivable, as required by this standard. Additionally, service charges were recorded in the current year whilst it related to the prior year. This was due to inadequate internal controls in the billing and estimation of revenue. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R154,02 million and consumer debtors stated at R159,66 million, disclosed in note 23 and 12 respectively to the financial statements.

Context for the opinion

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

Material uncertainty relating to going concern

7. I draw attention to note 45 in the financial statements, which indicates that as 30 June 2017 the municipality's current liabilities exceeded its current assets by R92,37 million. In addition, unspent conditional grants of R69,71 million and consumer deposits of R13,58 million, disclosed in notes 15 and 21, respectively to the financial statements, were not cash backed at year end. These events or conditions as set forth in the above-mentioned note to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material impairment – Consumer debtors

9. As disclosed in note 31 to the financial statements, the municipality recognised an impairment for bad debts of R94,88 million (2015-16: R57,96 million) on consumer debtors, as the recoverability of these amounts was doubtful.

Material losses - Bad debts

10. As disclosed in note 47 to the financial statements, the municipality incurred material losses of R32,26 million (2015-16: R34,81 million), as a result of a write-off of irrecoverable consumer debtors.

Material losses - Water

11. As disclosed in note 54 to the financial statements, the municipality incurred material water losses of R127,65 million (2015-16: R153,48 million) which represents 63% (2015-16: 79%) of the total water purified. These losses arose from the deterioration of the water reticulation networks, unmetered water connections, burst pipes, unauthorised consumption and provision of water through water tankers to areas where there was no water infrastructure.

Other matter

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

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 in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the municipality or cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery and infrastructure development priority presented in the annual performance report of the municipality for the year ended 30 June 2017.

21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

22. The material findings in respect of the usefulness and reliability of the selected development priority is as follows:

Basic service delivery and infrastructure development

Various indicators: Performance indicators not well-defined

23. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance and method of calculation for the indicators listed below, as required by the Framework for managing programme performance information (FMPPi). This was due to a lack of technical indicator descriptions and formal standard operating procedures. I was unable to test whether the indicators were well defined by alternative means.

■ Percentage of households with access to portable water as per demand ■ % of progress completed of Bhekuzulu CWS Phase 8 ■ % of progress completed of Bhekuzulu CWS phase 7 ■ % progress completed of Kwanabamba/Ezitendeni phase 2B ■ % progress completed of Kwananamba /Ezitendeni 2A ■ % of progress completed in Lambardskop bulk water feeder main
■ % of progress completed in Ntabamhlope Phase 13 ■ % of progress completed fitty park.

Various indicators: Targets not time bound

24. The targets as determined during planning for the indicators listed below did not specify the period or deadline for delivery, as required by the FMPPi.

■ Percentage of households with access to portable water as per demand ■ % of progress completed of Bhekuzulu CWS Phase 8 ■ % of progress completed of bhekuzulu CWS phase 7 ■ % progress completed of Kwanabamba/Ezitendeni phase 2B ■ % progress completed of Kwananamba /Ezitendeni 2A ■ % of progress completed in Lambardskop bulk water feeder main
■ % of progress completed in Ntabamhlope Phase 13 ■ % of progress completed fitty park ■ Number of water samples taken in terms of SANS 241 ■ Number of environmental health awareness campaigns conducted.

Percentage of households with access to portable water: Reported achievement not supported by sufficient appropriate audit evidence

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicator. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Kilometre of sewer bulk pipe lines constructed: Reported indicator not consistent with planned indicator

26. The indicator was reported as kilometres of sewer reticulation pipe lines constructed while the indicator was approved as kilometres of sewer bulk pipe lines in the integrated development plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. The annual performance report on pages xx to xx includes information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 26 of this report.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the basic service delivery and infrastructure development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

30. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

31. The material findings on compliance with specific matters in key legislation are as follows:

Strategic planning and performance management

32. A performance management system was not adopted as required by section 38(a) of the MSA and Municipal Planning and Performance Management Regulations of South Africa, 2001, (GNR 796 of 2001) 8.

Budgets

33. Reasonable steps were not taken to prevent unauthorised expenditure of R166,42 million, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was as a result of an overspending on the approved budgets due to spending pressures on sanitation projects and provision of water through water tankers in areas where there were no reticulation lines.

Annual financial statements

34. 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 expenditure and commitments identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

35. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(a) and (c).

36. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the drought relief projects.

37. Some of the competitive bids were not always evaluated by the bid evaluation committees which were composed of officials from the departments requiring the goods or services, as required by SCM regulation 28(2). Similar non-compliance was also reported in the prior year.

38. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).

39. Bid documentation for procurement of some of the commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation of South Africa, 2011, (GNR 502 of 2011) (PPR) 9(1). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the purchase of uniforms and other protective clothing.

40. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by PPR 9(1). This non-compliance was identified in the procurement processes for the purchase of uniforms and other protective clothing.

Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

42. Effective steps were not taken to prevent irregular expenditure of R217,79 million as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by awards being made without following proper procurement processes.

Conditional grants

43. The Regional Bulk Infrastructure Grant, Shared Services Grant and the Local Government Sector Education and Training Authority Grant was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.

Revenue management

44. 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.

45. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Consequence management

46. Unauthorised, 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.

Other information

47. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the mayor forewords, accounting officer's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in the auditor's report.

48. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

49. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

50. I did not receive the other information prior to the date of this auditor's report. When I do receive and read the draft annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

51. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.

52. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

Leadership

53. Leadership did not adequately oversee financial and performance reporting and compliance with legislation. In this regard, the accounting officer did not appropriately monitor the implementation of policies and procedures and ensure that effective measures were taken to address previous findings to support the achievement of credible reporting and compliance with legislative requirements.

Financial and performance management

54. Management did not implement a proper record keeping system to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

55. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information as evidenced by the material misstatements identified in the annual financial statements and material findings on the annual performance report.

Other reports

56. I draw attention to the following engagement conducted by an independent consulting firm that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. The report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

57. 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 and all 27 employees were dismissed and one case was referred to arbitration by labour court. Council is currently involved in a litigation process to recover all monies.

Pietermaritzburg

30 November 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:

identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

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

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

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

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Auditor-General of South Africa

uThukela District Municipality

Audit report 2017-18

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the uThukela District Municipality set out on pages' x to x, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the uThukela District Municipality as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Revenue and receivables from exchange transaction – service charges

3. The municipality did not recognise all items that met the definition of revenue from exchange transactions in accordance with SA Standard of GRAP 9, *Revenue from exchange transactions*. Revenue from service charges was not accounted for at the fair value of the consideration received or receivable, as required by this standard. The municipality did not maintain adequate records of consumers that had working infrastructure and received services. I was therefore unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R169,25 million (2016-17: R158,50) and consumer debtors disclosed at R186,36 million (2016-17: R159,66), in notes 22 and 12 respectively to the financial statements.

Water losses

4. I was unable to obtain sufficient appropriate audit evidence for the water losses stated at R161,17 million (2016-17: R127,65 million) in note 55 to the financial statements. This was due to inadequate systems and processes for the recording and monitoring of these losses. I could not confirm the disclosed losses through alternative means. Consequently, I was unable to determine whether any adjustments were necessary to water losses disclosed in the financial statements.

Context for the opinion

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

Material uncertainty relating to going concern

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.
9. Note 45 to the financial statements indicated that as at 30 June 2018 the municipality's current liabilities exceeded its current assets by R97,42 million. In addition, unspent conditional grants of R47,23 million, consumer deposits of R15,04 million, retention creditors of R27,23 million and trust funds of R5,19 million were not cashed backed. These events or conditions, along with other matters as set forth in note 45 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

11. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material impairments and losses

12. As disclosed in note 12 to the financial statements, the municipality recognised a provision for bad debts of R634,76 million (2016-17: R525,30 million) on consumer debtors, as the recoverability of these amounts was doubtful.
13. As disclosed in note 47 to the financial statements, material losses of R13,39 million (2016-17: R32,26 million) were incurred as a result of a write-off of irrecoverable trade debtors.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.
17. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be

included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
Development priority 1: Basic services delivery	x – x

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

Percentage of households with access to basic level of water

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target: 100% of households with access to basic level of water. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. The annual performance report on pages' x to x includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 25 of this report.

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the basic service delivery development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Introduction and scope

29. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

30. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

32. Reasonable steps were not taken to prevent unauthorised expenditure of R70,97 million, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the unauthorised expenditure was caused by overspending on the approved budget.

33. Reasonable steps were not taken to prevent irregular expenditure of R399,83 million, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the irregular expenditure was caused by non-compliance with Municipal Supply Chain Management Regulations GNR 868 30 May 2005 (MSCMR).

34. Money owed by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

Procurement and contract management

35. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of MSCMR 17(a) and (c).

36. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by MSCMR 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCMR 36(1). Similar non-compliance was reported in the prior year.

37. Contracts were awarded to and quotations were accepted from bidders who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by MSCMR 13(c).

38. Contracts were awarded to and quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of MSCMR 43.

39. Contracts were awarded to and quotations were accepted from bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of MSCMR 21(b) and 28(1)(a) and the 2017 Preferential Procurement Regulations (PPR).
40. Some of the contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and its regulations.
41. Some of the contracts were awarded to bidders that had not scored the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and PPR.
42. Some of the bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by 2017 PPR 8(2). Similar non-compliance was reported in the prior year. This non-compliance was identified in the procurement processes for the purchase of furniture and other protective clothing.
43. Commodities designated for local content and production were procured from suppliers who had not submitted a declaration on local production and content as required by 2017 PPR. This non-compliance was identified in the procurement processes for the purchase of furniture and other protective clothing.
44. Contracts were extended or modified without the approval of a properly delegated official, in contravention of MSCMR 5.
45. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Utilisation of conditional grants

46. The Regional Bulk Infrastructure Grant was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of Dora.

Consequence management

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

Revenue management

48. An effective system on internal control over revenue and debtors was not in place, in contravention of section 64(2)(f) of the MFMA.
49. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Other information

50. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
51. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
52. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
53. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

54. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.
55. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
56. Leadership did not provide adequate oversight and monitoring in ensuring that approved policies and action plans are implemented to fully address prior year findings on the financial statements, predetermined objectives and compliance with legislation. Furthermore, consequence management was not effectively implemented for non-performance and slow responses in addressing and implementing recommendations and transgressions reported.
57. Senior management did not implement proper record management processes and systems for the maintenance of documents supporting both the annual financial statements and reported performance. Additionally, procurement and contract management requirements were not complied with and monitored.
58. Furthermore, controls and processes over the preparation of the financial statements and the annual performance report were not effectively implemented by senior management to ensure that they were accurately prepared and supported by reliable and credible information.

Other reports

59. I draw attention to the following engagement conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

60. The municipality's legal team is currently investigating an allegation of possible misappropriation of the municipality's assets, which covers the period from 1 July 2016 to 30 June 2017.

Auditor-General SA

Pietermaritzburg

30 November 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNEXURE B

The Honourable Speaker
 Uthukela District Municipality
 33 Forbes Street
 Ladysmith
 3370

REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL OF UTHUKELA DISTRICT MUNICIPALITY

FOR THE PERIOD ENDED 30 JUNE 2018

The audit committee has the pleasure in submitting this report to the Council of Uthukela District Municipality. This report is submitted in terms of the provision of sections 121 (3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2017 to 30 June 2018.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with the National Treasury's MFMA Circular 65.

Audit Committee members and attendance at meetings

The Audit Committee as appointed in November 2015 is comprised of 5 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter and the MFMA. However, additional meetings may be called as the need arises. Members' attendance at the meetings is listed below:

<u>Name</u>	<u>No of Meetings Attended</u>	<u>22/08/17 (special meeting)</u>	<u>22/09/17</u>	<u>08/12/17</u>	<u>19/01/18</u>	<u>22/03/18</u>	<u>03 May 2018 special meeting</u>
Ms. N Mchunu (Chairperson)	6	✓	✓	✓	✓	✓	✓
Ms Z Khanyile	6	✓	✓	✓	✓	✓	✓
Mr. D Mncwabe	4	✓	✓	✓		✓	
Mr S Majola	6	✓	✓	✓	✓	✓	✓
Ms Y Joyi	4	✓	✓	✓		✓	

Apologies were received from members for meetings where they were unable to attend

The following are standing invitees to the Audit Committee Meetings.

Representative from	Office of the Auditor-General (AG)
Representatives from	Provincial Treasury and COGTA
MPAC Chairperson	
Internal Audit Manager	
The Municipal Manager (MM)	
The Chief Financial Officer (CFO)	
Heads of Departments	
PMS Manager	
Risk Manager	

Audit Committee responsibility

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter which has been approved by the Council of the Uthukela District Municipality.

Section 121(4)(g) of the Municipal Finance Management Act, No. 56 of 2003 also requires that the annual report must include any recommendations of the Municipality's Audit Committee.

In the conduct of its duties, the Audit Committee has performed the following statutory duties:

1. Reviewed internal financial control and internal audits

For the purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Charter, the Audit Committee relies on the work performed by the Internal Audit Unit.

The risk based internal audit plan for the financial year ending 30 June 2018 was presented by Internal Audit and approved by the Audit Committee. The plan was based on the risk assessment conducted and findings from the audits conducted by the Auditor General and internal auditors. The Audit Committee at each meeting; assesses performance against the plan and reviews the plan to assess whether critical risks relating to the administration and operations of Uthukela District Municipality are identified and addressed.

Various internal audit reports for the Municipality were completed and tabled at the Audit Committee meetings held during the reporting period. The internal audit reports included recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the processes in place, internal audit conducts follow up audits on previously reported internal audit findings and reports progress to senior management and the Audit Committee. From these assessments, it was established that some progress had been made in implementing some of the action plans to improve systems, however there was significant amount that still needed to be addressed.

The Audit Committee has expressed concern that the internal audit conclusions indicated an inadequate control framework resulting from significant control weaknesses being noted in all the areas that were audited. The Committee was particularly concerned that most of the findings had been previously reported and still remained unaddressed. There have been engagements with management regarding the findings, and the committee was informed that the process to address the findings has begun. To further enhance the processes in place, internal audit conducts follow up audits on previously reported internal audit findings and reports progress to senior management and the Audit Committee. From these assessments, it was established that some progress had been made in implementing some of the action plans to improve systems, however there was significant amount that still needed to be addressed.

An additional report on fleet management was presented to the committee. The work conducted on this area was not an audit, as there are no processes in this area, but was a consulting assignment. There were numerous exceptions that were identified by Internal Audit, and these indicated there has been a serious breakdown in controls around this area. The report was presented to management, and there is currently an investigation that is undertaken by the municipality around this area. The committee will monitor this and report accordingly.

The committee has noted instances during the year where some of the information requested for audit is not submitted which is a scope limitation and sometimes management takes very long to respond. Management was reminded that the internal audit function is a legislative requirement in terms of Section 165 of the MFMA, and that the internal audit processes are to assist the municipality to strengthen its controls and also give assurance on the existence and effectiveness of the controls. If this very important process is not taken seriously then the municipality will not be derive any value from it, and any cost incurred thereon will be fruitless and wasteful to the municipality.

The Accounting Officer was accordingly urged to hold those charged with a duty of responsibility to account, when it come to the non-adherence with the audit process.

2. Risk Management

The MFMA requires the accounting officer of the municipality to take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial, risk management and internal control.

The municipality currently has a system of managing risk, as required in terms of S 63 of the MFMA. This function involves an annual assessment of municipal risk, and periodic risk reviews carried out by the Risk Manager, management and relevant personnel at the municipality.

The Risk Committee reviews the status of the top 14 risks against management action plans from time to time. During this process emerging risks are also identified.

The last report was submitted and presented to the committee in a meeting held in March 2018. However it was quite concerning to note that the risk report is still not always updated on time, due to non – submission / late submission of information required. The matter was raised in the previous reports, and there has unfortunately been no improvement. This has affected the effectiveness of the risk management processes at the municipality in that there has been proper monitoring of the action plans to address risk and related controls.

In most instances, management makes representations of action plans implemented in their respective departments to address risk, but no supporting evidence is provided.

Again this is a legislated process, which is there to assist management and council to identify and address or mitigate the risks that are/ could potentially affect the uThukela Municipality's ability to achieve its mandate and objectives. If it is not taken seriously it will not yield the desired results, and will be of no value to the municipality.

From the last meeting held with management, it appears that are emerging risks that have been identified over and above the top 14 that are currently captured on the register. These require management's attention and if not addressed they will negatively impact the municipality's ability to fulfil its mandate to the community.

The accounting officer has indicated that the risk management process and monitoring has been cascaded to the Heads of Departments (HOD's), and they will be reporting from time to time with the support of the risk officer. This process needs immediate attention of those charged with a duty of responsibility, and non-adherence must be dealt with seriously.

3. *Review of financial statements and Accounting Policies.*

The Audit Committee has the obligation to review the Municipality's Annual financial statements and provide the Council with an authoritative and credible view of the Municipality's financial position, performance and cashflow position. In order to do this, the audit committee relies on the work conducted by the Internal Auditors, and therefore such reviews have been provided for in the Annual Internal Audit Plan.

A number of findings were raised by the Office of the Auditor-General (A-GSA) during the audit of the 2016/17 financial statements. Management formulated action plans to address the findings raised by the AGSA, this was an on-going process which was reviewed through follow up reviews by internal audit. The reviews conducted revealed that some of the matters raised were addressed while some remained in progress. Concerns were raised regarding the progress made in addressing the Revenue

Management related queries, especially taking into account the AG findings that the led to qualification in the financials and the matters that were also raised by Revenue management Consultants that were engaged by Cogta. Reviews by Internal audit revealed that some progress had been made in addressing the completeness of revenue, but could not complete the reviews as the planned actions were still in progress.

The committee sat to review the annual financial statements for 30 June 2018 in a meeting held on 27 August 2018. Internal audit also conducted reviews on these financial statements and raised findings that needed to be addressed before submission. It was the committee also raised some findings as well which were to be followed up by Internal audit before submission to Council. The findings raised related to the accuracy and completeness of Revenue and PPE figures and information presented.

Management was requested to urgently address these matters and submit to internal audit for review with supporting evidence. The committee can therefore not make any recommendation until these findings are adequately addressed.

The Committee in its previous report to Council had raised a concern regarding the cash flow position at the municipality, where the current assets exceeded the current liabilities. The committee further made recommendations to Council in respect of this matter, which included stricter budgetary control on expenditure and enhancement of revenue collection at the municipality. This issue was also raised by the A-GSA in their report for 2016/17, where the financial position at the municipality was assessed as "concerning".

From the review of the information presented in the draft financial statements, it transpired that the cash flow position at the municipality remains concerning. The report indicated that the municipality is currently in a cash deficit position, and projections to year-end indicate that the situation will deteriorate even further. Currently the municipality has no resources to fund its day to day critical expenditure, the funds that remain in the municipality's disposal are for conditional grants, which are not fully cash backed.

Management reported that they have commenced with the implementation of cost containment strategies. Whilst this is being acknowledged by the committee, the situation at hand has unfortunately worsened. This has been exacerbated by the fact that the municipality has had to surrender funds relating to the RBIG grant back to National Treasury, which has made the situation even grimmer these funds were deducted from the equitable share. These funds were unspent during the 2016/17 financial year and National Treasury did not approve the rolling over of these funds.

There has to be a radical overhaul of the expenditure at the municipality. It is recommended that Council must lead this process, as this has a direct impact on UThukela's ability to serve the community. Further to that, there has to be a robust drive to collect money owed by the Municipality by debtors. This must be a collective effort, but must be led by Council and possibly a committee must be formed to look into this matter.

4. The adequacy, reliability and accuracy of financial reporting and information

The committee is also required to advise council on the adequacy, reliability and accuracy of financial reporting and information in accordance with S 166 of the MFMA.

Internal audit has conducted its reviews on the various cycles supporting reported information at the municipality

These reviews included an evaluation of the municipality's system of internal control, quality of reporting, status of records, review of the municipality's performance management system etc.

Various control weaknesses were identified by internal audit and the A-GSA. Whilst management has formulated action plans to address these matters, there has been slow progress in the implementation thereof.

There are still findings relating to the accuracy and completeness of information reported, there are still instances where evidence is not provided for audit, and there are still instances where information is not always properly reconciled.

These findings need to be addressed promptly in order to promote the reliability and credibility of information reported.

More importantly there has to be proper reviews conducted at senior management level, and where there are exceptions these must be addressed timeously. Management and officials concerned must be held to account for non-adherence.

5. Performance Management

The Audit Committee also serves as the performance Audit Committee for Uthukela District Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

Performance reports were generated but could not be completed on time as some of the Departments within the municipality had not submitted the required information.

The committee also noted with concern that various issues had been raised by internal audit regarding quality of performance reporting, timeliness of performance information, availability of relevant information to support actual performance reported and other issues raised in this area. These issues were previously raised with management by the PMS and Internal Audit unit, but there seems to be very minimal improvement for some of the Departments, if any at all.

The committee also sat to review the Annual Performance Report for 30 June 2018. Internal audit also conducted its reviews on this report. There were quite a number of matters also raised by the committee especially relating to the accuracy and completeness of the information presented in the report.

Management was urged to prioritise addressing the concerns raised and that the updated report must be submitted to Internal Audit together with supporting evidence.

Accordingly the committee could not make any recommendation to Council on performance management until the above matters have been resolved.

6. *Effective Governance*

The Audit Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the Municipality to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

7. *Compliance with Legislation and Ethics*

The Audit Committee has noted some instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations.

The areas of non-compliance have been noted, mainly through the reports submitted by internal audit and the A-GSA. In the internal audit reports, management have provided comments on the findings, recommendations and timing of the implementation of corrective measures thereof. Management has to exercise stricter controls when it comes to overall compliance at the municipality.

Management has indicated that compliance management has been cascaded to HOD's and will be reported on at Management Committee (MANCO) level.

The committee will follow up on the progress of the management action plans and deadlines, through a review of the work conducted by the Internal Audit unit.

Recommendations.

- Council and management need to exercise stricter monitoring controls over performance management and reporting, including holding management accountable for the non-submission of relevant information supporting actual performance.
- The Council and management must continue to exercise stricter budgetary controls in order to improve the financial position at the municipality. This must include the implementation of the financial recovery plan, without compromise. This process must be led by Council.
- The municipality must focus on the credit management at the municipality, in order to improve the collection of outstanding balances owed by debtors. Council must lead this process, through a special committee that will be formed together with management and officials. Also, Council should consider reviewing its indigent register to ensure that only

consumers who can afford to settle their accounts are billed for services provided by the municipality.

- Management must review the use of consultants at the municipality against the capacity and resources available, where capacity does not exist, management must formulate a plan for the transfer of the procured skills to the municipality, including a review of the organogram.
- The process of risk management should be prioritised as part of management tools that will assist in improving systems and governance at the municipality.
- Management to formulate and implement a system of monitoring compliance at the municipality.
- Consequence management must be implemented where there are instances of non – adherence with procedures.
- Management and Council to work together in improving the systems and the environment at the municipality to achieve Uthukela Municipality primary objectives. And Council to drive the spirit of unity amongst council, management, municipal officials and stakeholders.

Conclusion

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are the responsibility of Council. The role of the audit committee is to monitor the efficiency of the procedures and mechanism which Council has put in place in order to ensure that its policies and procedures are adhered to.

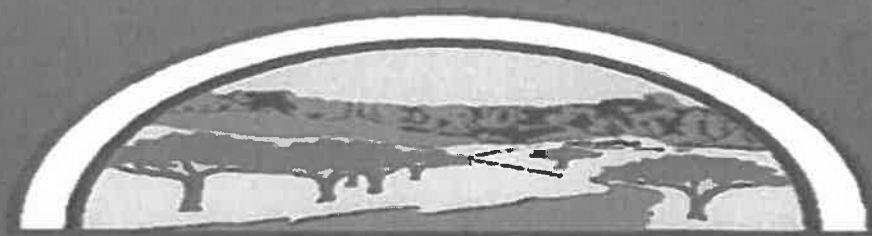
We can report that, taking into account the exceptions noted, recommendations made above and based on the reports submitted to us, our overall impression is that although there has been a regression in some areas, the general processes need to be overhauled in order to improve systems at the municipality, especially as the municipality is currently facing a very critical cash flow position, which will potentially affect its going concern. It is therefore important that great effort is made in exercising stricter budgetary controls including maximising efforts to collect outstanding revenue by the municipality, to improve the cash position.

On behalf of the Audit Committee



Ms Nosipho Mchunu
Chairperson
30 August 2018

ANNEXURE C



UMKHANDU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

UTHUKELA DISTRICT MUNICIPALITY ANNUAL PERFORMANCE REPORT 2017/2018

2017/18 ANNUAL PERFORMANCE REPORT



1. INTRODUCTION

The Annual Performance Report is hereby submitted to the UThukela District Municipal Council 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 2017 to 30 June 2018 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 and Plan (IDP).

This Report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2017/18.

The format of the report will reflect the Municipality's Key Performance Indicators (KPI) per Municipal Key Performance Area. Each Key Municipal KPA have number of Municipal Key Focus Areas (KFA's) which was deliberately designed by the UThukela District Municipality to focus its development initiatives in a more coherent and organized manner.

This report will also endeavor to report to Council the Municipality's performance in terms of the five (5) National Government's Strategic key Performance Areas for local government, which are (1) Basic Service Delivery; (2) Local Economic Development; (3) Municipal Institutional Transformation and Development; (4) Municipal Financial Viability and Management; (5) Good Governance and Public Participation and Cross Cutting Issues.

2. COMPONENTS OF THE ANNUAL PERFORMANCE REPORT

The following is reported on:

- Overview of municipal performance
- SDBIP Non-financial performance
- SDBIP Project Implementation
- General KPIs
- SDBIP Budget Statement Components
- Challenges and Recommendations
- Progress on Annual Report 17/18
- Approval of this Report (Conclusion)

3. OVERALL MUNICIPAL PERFORMANCE

Overall Municipal Performance is calculated from all the indicators and projects applicable to the municipality as measured through its performance management system. The indicators and projects are collected into scorecards for general indicators, indicators contained in the IDP for 17/18, SDBIP. Overall Organisational Performance achieved a score of 75.5%.

3.1 General Indicators Performance Indicators

General Key Performance Indicators (KPIs) are prescribed as per Section 43 of the Municipal Systems Act No 32 of 2000 and Section 10 of Regulation 796 of 2001. For Uthukela District Municipality, the general KPIs applicable to the Municipality are also reported on in the SDBIP. These indicators performed as follows per Key Performance Area:

2017/18 ANNUAL PERFORMANCE REPORT

General KPIs	Target	Actual	Reason for Variance	Corrective Measure	Department
Number of people employed from the employment equity target groups in compliance with the municipality's approved employment equity plan by 30/06/2018	Three (3) people employed from the employment equity target groups in compliance with the municipality's approved employment equity plan by 30/06/2018	Two (2) people employed from the employment equity target groups in compliance with the municipality's approved employment equity plan by 30/06/2018	No suitable candidates acquired from the positions advertised internally.	In future, all employment equity targeted positions will be advertised externally in order to attract qualified candidates from employment equity groups	Corporate Services
Percentage of budget actually spent on implementing the workplace skills plan by 30/06/2018	100 % of budget actually spent on implementing its workplace skills plan by 30/06/2018	100 % of budget actually spent on implementing its workplace skills plan by 30/06/2018	n/a	n/a	Corporate Services
Percentage of households with access to basic level of water by 30/06/2018	Hundred (100%) of households with access to basic level of water by 30/06/2018	Hundred (100%) of households with access to basic level of water by 30/06/2018	n/a	n/a	Water, Sanitation & Technical Services
Number of Jobs created through LED Initiatives by 30/06/2018	Nine hundred and ninety four (994) jobs created through LED Initiatives by 30/06/2018	Nine hundred and ninety four (994) jobs created through LED Initiatives by 30/06/2018	n/a	n/a	Social & Economic Services/Water, Sanitation & Technical Services
Ratio on financial viability in terms of debt coverage by 30/06/2018	01:03	0,54	The Municipality is facing cash flow challenges	The Municipality will implement cost cutting measures, interim finance committee established. Monthly cash flow projections	Budget & Treasury Office
Ratio on financial viability in terms of cost coverage by 30/06/2018	01:02	0,01	The Municipality is facing cash flow challenges	The Municipality will implement cost cutting measures, interim finance committee established.	Budget & Treasury Office

2017/18 ANNUAL PERFORMANCE REPORT

Ratio on financial viability in terms of outstanding service debtors to revenue by 30/06/2018	01:01	0,08	The Municipality is experiencing challenges in terms of collection	<p>Monthly cash flow projections</p> <p>The revenue enhancement plan has been developed and the Municipality has appointed Debt Collectors to collect outstanding debt. Implementation of the debt collection and credit control policy</p>	Budget & Treasury Office
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4. LEGISLATIVE REQUIREMENTS

The Performance Management System is located within a legislative and policy framework and is influenced by, but not limited to, the following:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- The White Paper on Local Government, 1998;
- The Municipal Systems Act 32 of 2000;
- The Municipal Planning and Performance Management Regulations, 2001;
- The Municipal Finance Management Act 56 of 2003;
- National Treasury's Framework for Managing Programme Performance Information; and
- Intergovernmental Relations.
- Monitoring and Evaluation Policy Framework and Procedure Manual

The Local Government Municipal Systems Act, 2000 Chapter 6 states that a municipality must:

- Establish a performance management system that is:
 - Commensurate with its resources;
 - Best suited to its circumstances; and
 - In line with the priorities, objectives indicators and targets contained in its integrated development plan;
- Promote a culture of performance management among its political structures.
- Involve political office bearers and councilors; and
- Administer its affairs in an economical, effective, efficient and accountable manner.

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. It also further states that in developing its performance management system, a municipality must ensure that the system -:

- Complies with all the requirements set out in the Act;
- Demonstrates how it is to operate and be managed from the planning stage;
- Defines the stages of performance review and reporting;
- Clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;

2017/18 ANNUAL PERFORMANCE REPORT

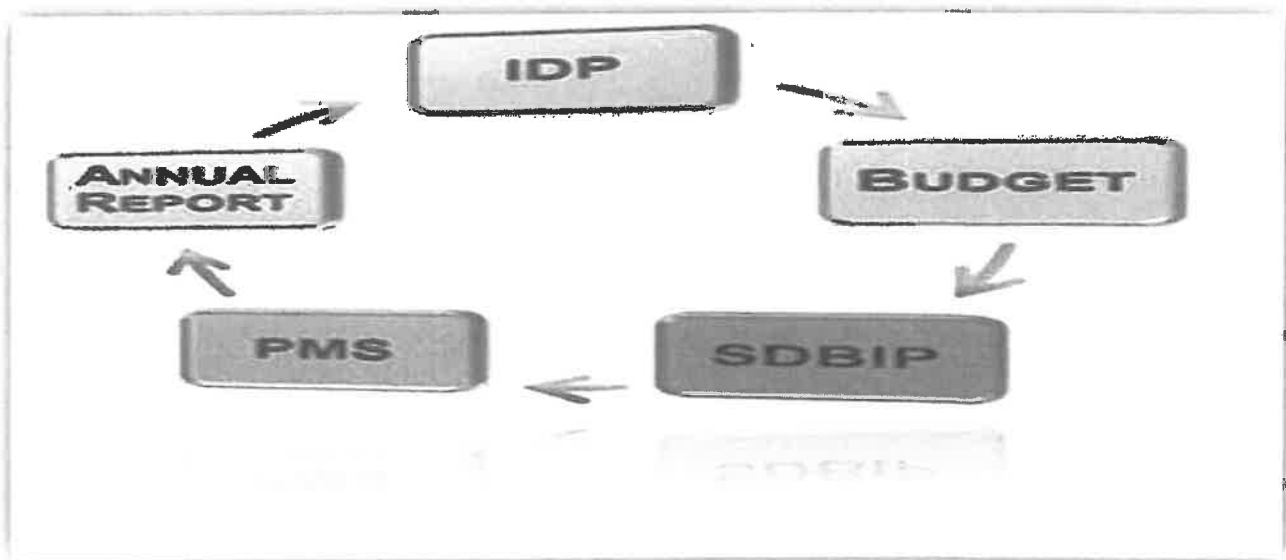
- Clarifies the processes of implementing the system within the framework of the integrated development planning process;
- Determines the frequency of reporting and the lines of accountability for performance;
- Relates to the municipality's employee performance management processes;
- Provides for the procedure by which the system is linked to the municipality's integrated development planning processes.

However, the main regulatory mechanism for the Performance Management System is Chapter 6 of the Municipal Systems Act, (Act 32 of 2000) and the related Municipal Performance Management Regulations (2001 and 2006) and Municipal Finance Management Act.

The MSA requires that all Municipalities:

- Develop a Performance Management System;
- Set target and monitor and review performance based on indicators linked to their IDP;
- Prepare an Annual Performance Report on the performance of a municipality forming part of its Annual Report as required in terms of the MFMA;
- Incorporate and report on a set of general/national indicators prescribed by the Minister responsible for local government;
- Conduct on a continuous basis, an internal audit of all performance measures;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators, targets and reviewing of municipal performance

Currently, within the UThukela District Municipality, there has been a fairly structured and methodical approach to ensuring that the requirements as set out by the legislation are reached and that transparency and integrity in the reporting of performance measures.



5. 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.

2017/18 ANNUAL PERFORMANCE REPORT

UThukela district municipality has three district municipalities bordering onto it within the Province of KwaZulu-Natal, namely Amajuba, uMzinyathi and UMgungundlovu.

5.1. Demographic Characteristics

The population of uThukela District Municipality forms part of the ultimate objective of the development process, as well as being a subject in the process, since the people provide labour and entrepreneurship for production also consume the output of production. Likewise, demographic processes e.g. fertility, mortality and migration determine the demographic outcomes such as size, age-sex structure and spatial distributions of the population which affect the functioning of socioeconomic processes of land use, labour absorption, consumption and expenditure which in turn define the socio-economic outcomes in terms of income, employment, education, health, housing etc. In short, this analysis will shade some light on the dynamics of uThukela District population, which can then be used to develop strategic interventions.

5.2. Regional Context

UThukela is located within the middle west of KwaZulu-Natal Province. The district comprises of three local municipalities, namely:

- Okhahlamba (KZ235);
- Inkosi Langalibalele (KZ237);
- Alfred Duma (KZ238);

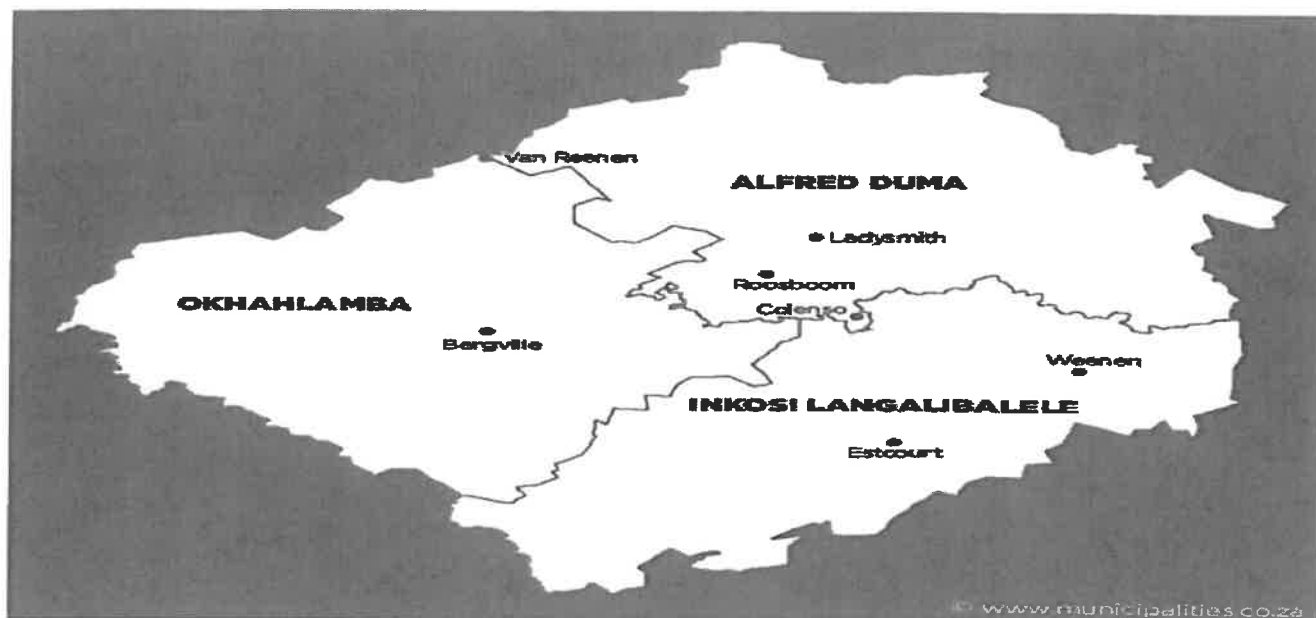
It is strategically positioned within the centre of Durban and Johannesburg, which are the national hubs within the country in terms of trade of commerce. It also largely comprises of Ukhahlamba Drakensberg Park that is a declared World Heritage Site and this places the area as global interest. The district is anchored around Ladysmith Town, which serves as a service and administrative centre, and a commercial hub for UThukela District and beyond. However, the role and function of Ladysmith commercial centre cannot be exaggerated a regional scale given the fact that it is a relatively smaller town when a comparison is drawn from the nearest regional centres such as Newcastle and Pietermaritzburg.

Therefore, Ladysmith can be classified as a sub-regional centre and not a regional centre that serves as a feeder for smaller towns that are located between 100km to 200km away from it. Although Uthukela does not boost with a notable regional centre, it is strategically located at the intersection of two major national and provincial development corridors and trade routes that is:

- The N11 which runs in a north- south direction linking KwaZulu-Natal with Mpumalanga Province; and
- The N3, which runs in an east west direction linking Durban and Johannesburg Metropolitan areas.

The railway line linking KwaZulu-Natal with Gauteng and Mpumalanga Provinces runs through the UTDM. As such, the UTDM is highly accessible at both regional and national level. The size of the Municipality is approximately 11,500km² and is located along the western boundary of KwaZulu-Natal. It is predominately rural. The Municipality is characterised by socio-economic challenges such as a low revenue base, poorly maintained infrastructure and limited access to social and other services. High levels of poverty, unemployment, skills shortage, a lack of resources and low levels of education is also prevalent. The settlement patterns are disbursed, which resulted in underdeveloped land and settlement patterns that make it challenging and expensive to deliver effective services.

Uthukela Regional Context



5.3. Total Population and Growth Rate

The population of uThukela District increased from 668,848 in 2011 to 706,589 in 2016 recording approximately 2% growth, which translates to an annual growth rate of 0.17% during the period.

Alfred Duma municipality experienced the highest increase followed by Inkosi Langalibalele municipality (1.69%). Okhahlamba also experienced an increase in its population recording 4.2% respectively between 2001 and 2016.

The increase of the population in uThukela district is attributed by amongst other factors the impact of high birth rate and immigration.

5.4. Population Distribution

The population of the uThukela district municipality is unevenly distributed. The largest population is in Alfred Duma local municipality and the small population is in Okhahlamba local municipality. It is noted that the population distribution has changed after the emerging of Emnambithi with Indaka and Umtshezi with Imbabazane local municipalities.

5.5. Age Structure & Gender

According to the Census 2011, the number of people between 15-64 aged has increased to 391,369. Females are more than male and are occupying 55% in this category whereas male are on 45%. With regards to 0-14, males are leading with 51% while females are sitting in 49%. The last category which is 65-120, females are more with 69% and males are in 31%. compare to males.

5.6. Dependency Ratio

Dependency ratio defines the number of dependents (i.e. people under the age of 15 and over the age of 65 years) per 100. A high dependency ratio is a challenge to guardians who in many instances are unemployed particularly in rural parts of uThukela. The dependency ratio in uThukela declined from 76.4 to

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70.6 between 2001 and 2011. Dependency ratio is high in Alfred Duma local municipality compared to all other municipalities within uThukela. Alfred Duma especially the part of former Indaka is a settlement economy without any core economic source, hence the high dependency ratio. Okhahlamba also have high dependency ratio (79%).

Generally, uThukela District experienced a decline in its dependency ratio between 2001 and 2011. However, the ratio is still high compared to the provincial (65.4%) and national (58.7%) averages.

5.7. Level of Education

A small percentage of the population in the district has post-matric qualifications at only 1%, whilst 14% of the population has no schooling whatsoever. 41% have primary school education and 33% have some secondary schooling, whilst only 10.9% achieved matric. This means that there is a limited pool of skilled labour in the municipality and that basic education needs to be addressed in order to improve skills levels in the future. Basic education is considered fundamental to the future success of the local economy.

The matric results has shown some increase in 2017 from 67.75% to 72.85% and this translate that the matric results has increased by 5.1%.

The number of people with no schooling dropped between 2011 and 2016 with a further decline between 2010 and 2011 in uThukela, while the number of those people with grade 0-11 shows a significant increase over the period under review. The number of people with matric only has shown a large increase.

5.8. Household Income

Household income can be used as a proxy for economic well-being of household and individuals, as it determine their consumption and savings potentials. Changes in the income by households is one of the direct indicator available that can be used to establish who benefits from economic development and by how much are the beneficiaries benefiting. Furthermore, data on household income can be used to inform poverty analysis.

In uThukela the R1-R4, 800 and R, 4801-R9600 household income categories have increased considerably throughout the years; this can be an indication of improvement in the socio-economic status of the households in the district. The number of households in the upper end income categories (i.e.R1 228 801-R 457 600) have decreased throughout the years.

5.9. Employment Profile

The unemployment rate in the municipality decreased from 58.8% in 2001 to 39.6% in 2011. The level of unemployment in the district is bigger to that of the province, which was 49.0% in 2001 and 33.0% in 2011. Alfred Duma local municipality has the highest levels of unemployment with the rate being 92.2% in 2016, whilst the lowest unemployment rate in 2011 was in Okhahlamba local municipality at 43.4%.The number of people who are not economically active increased from 207 830 in 2001 to 268 503 in 2011 (29% increase), compared to an increase in employed people of 21%.

5.10. Key Findings

- The population of uThukela District increased from 668,848 in 2011 to 706,589 in 2016 recording approximately 2% growth as per 2016 Community survey;
- Inkosi Langalibalele municipality experienced the highest increase (38.4%) followed by Alfred Duma (1.69%);
- The population of uThukela district municipality is unevenly distributed;
- The number of people between 15-64 age is increased to 391,369;
- Females are more than male and are occupying 55% in this category whereas male are on 45%;
- The dependency ratio in uThukela declined from 76.4 to 70.9 between 2001 and 2011;
- 2016 Community survey show a slight increase from 70.9% in 2011 to 72.39%.

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- Dependency ratio is high (93.8%) in Alfred Duma municipality compared to all other municipalities within uThukela;
- Okhahlamba and Inkosi Langalibalele also have high dependency ratio (79% and 72.7% respectively);
- Generally, uThukela District experienced a decline in its dependency ratio between 2001 and 2011. However, the ratio is still high compared to the provincial (65.4%) and national (58.7%) averages;
- Certain infectious & parasitic, diseases of the circulatory system and diseases of the respiratory system are the main group causes of death in the district accounting 2,596, 1,38 and 1,009 deaths in 2010;
- Other natural causes and tuberculosis (A15 A19) are the top two (2) leading underlying natural causes of death in the district accounting for 32.7% and 15.8% of the deaths reported in the district;
- The majority of the people that lives in uThukela district municipality are Africans and Coloureds are minority

6. THE VISION MISSION

6.1. Vision

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

6.2. Mission

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

6.3. Core Values

The following are uThukela DM Core Values:

- Solidarity;
- Honesty;
- Ownership;
- Professionalism;
- Self-reliance
- Dedication
- Good Work Ethics

7. STRATEGIC SCORECARD PERFORMANCE PER PROGRAMME

Programme performance is based on the strategic scorecard as per the SDBIP and are important to highlight as different Councillors might be interested in performance of different programmes within the IDP and SDBIP. Programmes Performance are as follows:

- Human Resource Management: Out of six (6) section 54/56 manager's posts, only one (1) position that was not filled and 32% of women have been appointed by the municipality out of the target of 54%
- Out of five (5) section 56 managers' positions filled only four (4) positions have been filled by males and only one (1) position filled by a female which represents 20% of women in the senior management positions.
- Integrated Development Planning: Programme achieved its target as the 2017/2018 IDP was adopted by Council on 25th May 2017, within legislative framework outlined in Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA).
- Water Quality: Programme was below target with the Blue drop rating being at 34.5% and the Green drop rating drop to 26.66%.

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- **Disaster Management:** The Programme was on target with the Disaster Management Framework and Plan that was reviewed and approved. Phase 1 of the Disaster Management Centre has been completed and operational.
- **Performance Management:** The performance management system for the financial year under review was adopted at same time with the setting of key performance indicators. The 207/18 SDBIP was adopted by the Mayor within 28 days after the approval of the budget. Section 54/56 managers' performance agreements have been developed to align with the approved SDBIP and budget.
- **Legal Services:** No corruption cases were reported.
- **Risk Management:** Overall of 95% of the top fifteen (15) risks in the Risk Action Plans were completed during the 2017/18 financial year.

8. PERFORMANCE MANAGEMENT OVERVIEW AND PROCESS

In order to improve on performance planning, implementation, reporting and measurement, the institution implemented the following actions:

- Conducted a detailed assessment of the current performance management system and facilitated the development, adoption and implementation of a balanced scorecard performance management framework which must be aligned to all the legislative mandates of performance management for Local Government
- Development and implementation of an integrated performance management strategy which must be linked to the IDP and SDBIP.
- Refinement of the Municipalities objectives to set a platform for objectives based performance management system;
- Development of a model to cascade performance Management down to the three tiers (Organizational, Departmental and Individual);
- Facilitating the analysis and fine-tuning of the SDBIP for the 2018/19 financial year and synergizing the SDBIPs for the 2018/19 financial year
- Reconciliation of the organizational and individual PMS framework and policy.
- Departmental operational plans were developed for monitoring and reporting operational programmes;
- There is a column in the SDBIP for each KPI to ensure that the portfolio of evidence was populated correctly;
- The municipality has established the PMS Unit and is tasked to coordinate the IDP and Organisational performance management related processes. The unit works closely with Senior Managers in each Department
- The Municipality endeavored 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.

	Draft Performance Management Framework	All MSA s57/56 Performance contracts signed	Audit Committee	Municipal Public Accounts Committee (MPAC)	Quarterly Performance Reporting to Council	Annual Reporting to Council
In place?	√	√	√	√	√	√

Table 4:1 Performance Management System Checklist

9. PERFORMANCE MANAGEMENT HIGHLIGHTS FOR 2017/2018

9.1 Preparing for Performance Management

In preparing for performance management and after extensive public participation to assess community needs, the developed an organizational scorecard representative of the various departments' strategic objectives, measurable outputs, performance measures and targets. Thereafter performance agreements were signed by all managers to which performance plans were attached.

In the 2018/19 financial year we have also continuously ensured that the following elements, as required by the various legislative requirements and UThukela District Performance Management Framework are in place and functioning effectively. These elements include, but are not limited to, the following:

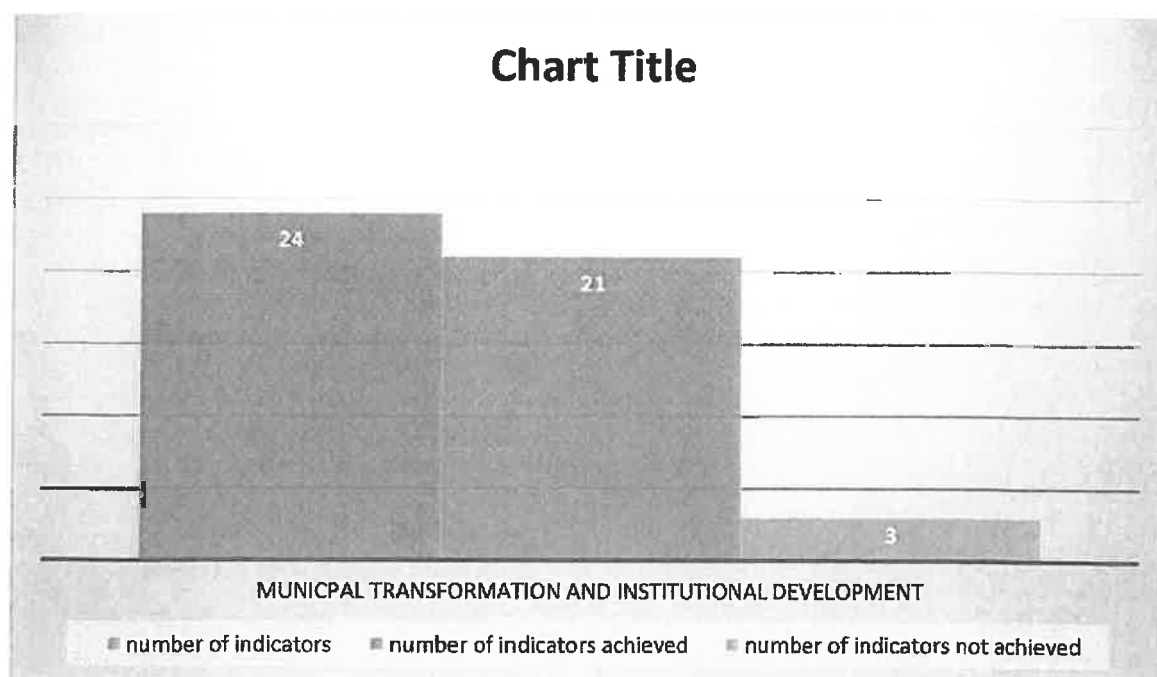
- Approved IDP, Scorecard and SDBIP which are aligned and containing annual performance indicators and targets in line with the national key performance areas and vision and mission of the municipality.
- Performance Audit Committee (same as the Audit Committee), which is properly constituted and has:
 - Terms of Reference;
 - Held the required number of meetings; and
 - Reviewed Performance Audit Reports.

10. OVERALL PERFORMANCE PER NATIONAL KEY PERFORMANCE AREA

10.1 Municipal Transformation and Institutional Development

The total number of indicators under Municipal Transformation and Organizational Development was 24; 21 were achieved and 3 were not achieved. About 88% of targets achieved and only 13% not achieved.

No. Indicators	No. of targets not Achieved	%	No. of targets Achieved	%
24	3	13%	21	88%

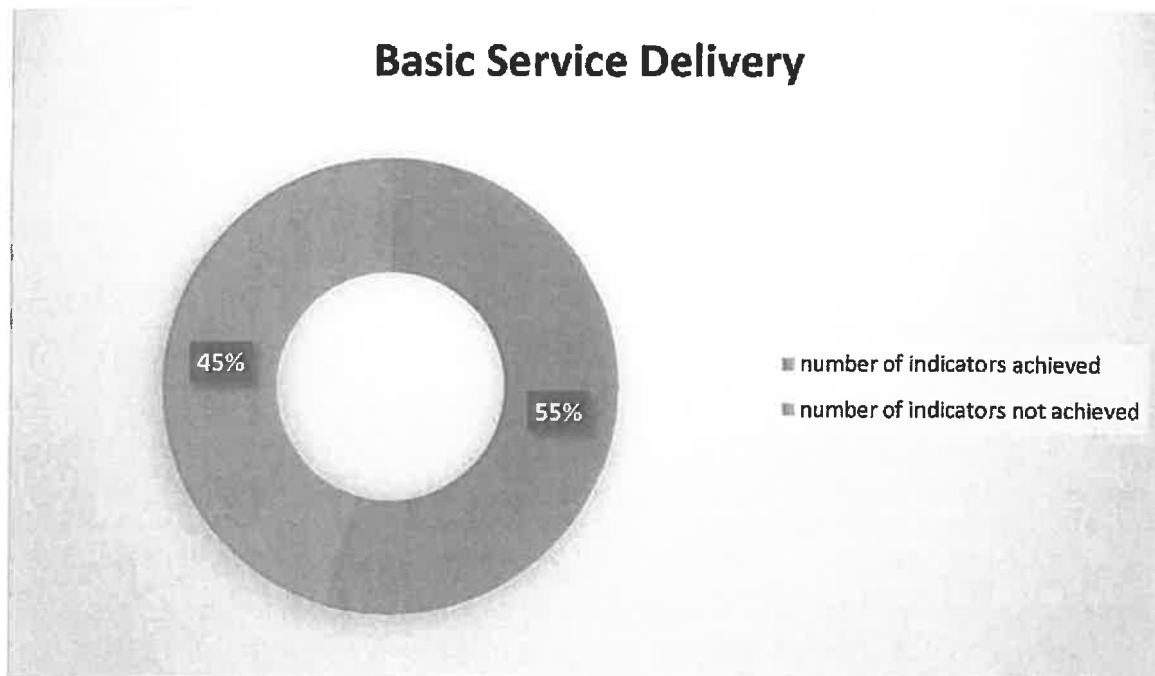


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10.2 Basic Service Delivery

The total number of indicators under Basic service delivery was 33; 18 were achieved and 15 were not achieved, which is 55% achieved and 45% not achieved.

No. Indicators	No. of Indicators not Achieved	%	No. of Indicators Achieved	%
33	15	45%	18	55%

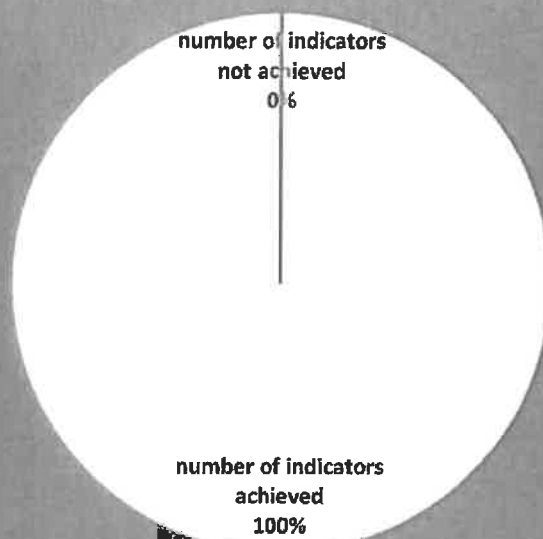


10.3 Local Economic Development

The total number of indicators under Local Economic Development was 8; all targets were achieved, which is 100% achieved.

No. Indicators	No. of Indicators not Achieved	%	No. of Indicators Achieved	%
8	0	0%	8	100%

LOCAL ECONOMIC DEVELOPMENT

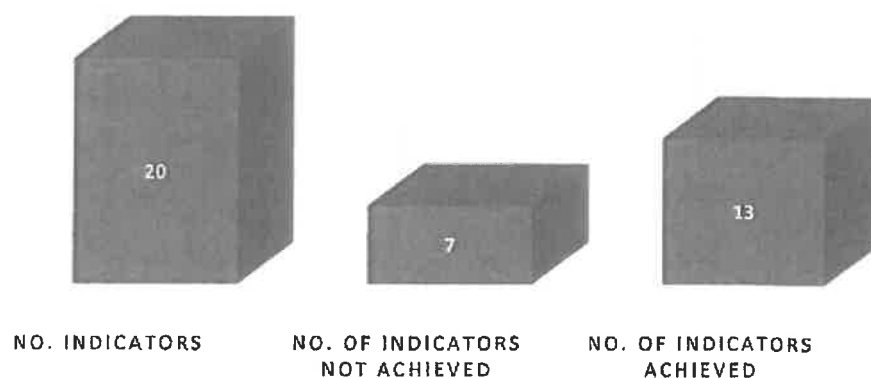


10.4 Financial Viability and Financial Management

The total number of indicators under Financial Viability and Financial Management was 20. 13 were achieved and 7 were not achieved, which is 65% achieved and 35% not achieved.

No. Indicators	No. of Indicators not Achieved	%	No. of Indicators Achieved	%
20	7	35%	13	65%

MUNICIPAL FINANCIAL VIABILITY & FINANCIAL MANAGEMENT



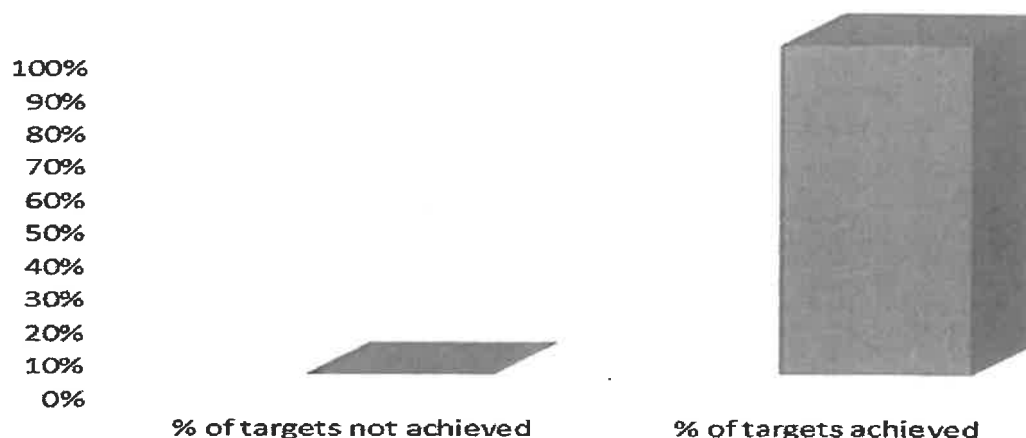
10.5 Good Governance and Public Participation

The total number of indicators under Good Governance and Public Participation was 8; all targets were achieved, which is 100% achieved.

No. Indicators	No. of Indicators not Achieved	%	No. of Indicators Achieved	%
8	0	0%	8	100%

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GOOD GOVERNANCE & PUBLIC PARTICIPATION



10.6 Cross Cutting Issues

The total number of indicators under Cross Cutting Issues was 6; all targets were achieved, which is 100% achieved.

No. Indicators	No. of Indicators not Achieved	%	No. of Indicators Achieved	%
6	0	0%	6	100%

CROSS CUTTING ISSUES



11. OVERALL PERFORMANCE PER DEPARTMENTS

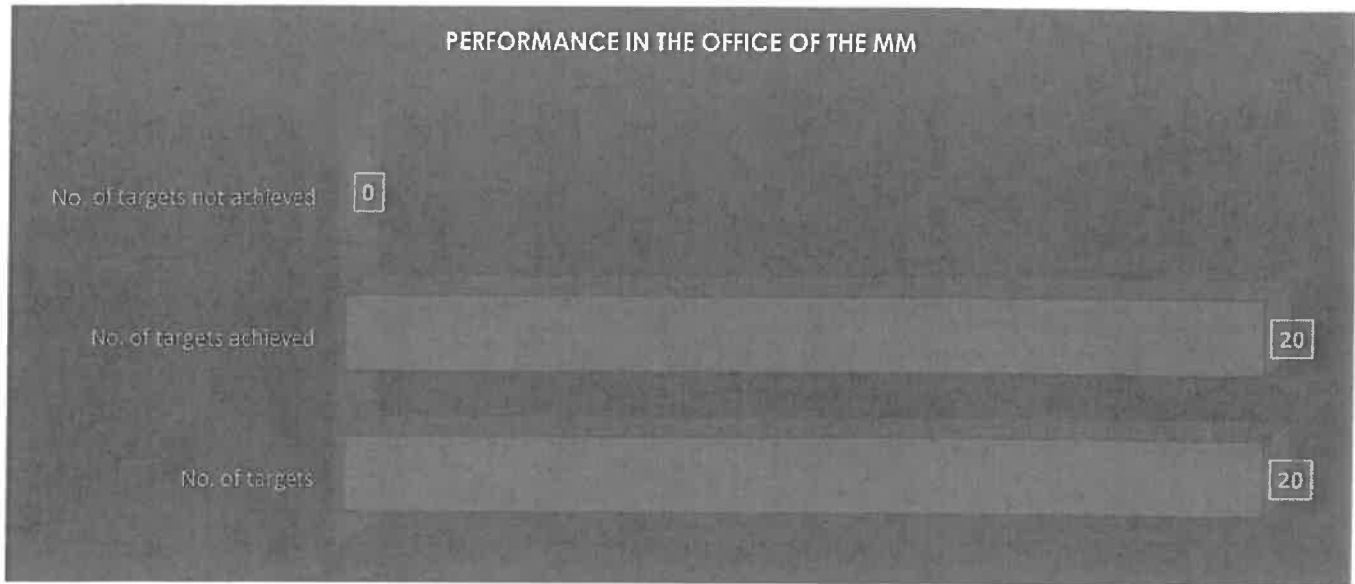
11.1. SDBIP – Office of the Municipal Manager

The Office of the Municipal Manager achieved target with an overall score of 100% at the end of the financial year. Overall, (20/20) achieved targets. Some of the successes were as follows:

- The Audit charter was developed and approved by the Audit Committee
- Performance quarterly reports were submitted on time to Council.
- The Annual Performance Report was submitted to the Auditor General on time.
- The risk register was reviewed and approved for the entire municipality.
- Municipal Communication Strategy was reviewed and adopted by Council

Challenges: No quarterly newsletters issued during the year under reviewed due to financial constraints.

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11.2. SDBIP- Budget and Treasury Office

The Budget and Treasury Office achieved target with an overall score of 65% at the end of the financial year. Overall, (13/20) achieved targets and (7/20) targets not achieved. Some of the successes were as follows:

- The budget and reporting programme had success in that all budget related policies were reviewed and approved by council; the draft budget was tabled to Council before the end of March and the final budget for 2017-18, together with IDP and-SBDIP, was approved by Council
- Asset verification was done according to schedule.

Challenges: Revenue Collection & Financial Cash Flow



11.3. SDBIP – Corporate Services

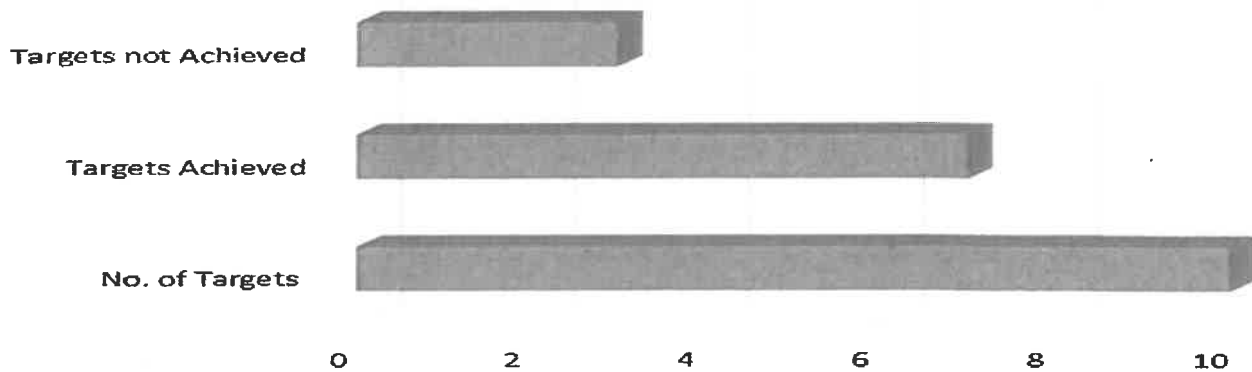
The Corporate Services achieved target with an overall score of 70% at the end of the financial year. Overall, (7/10) achieved targets and (3/10) targets not achieved. Some of the successes were as follows:

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- All legal requirements have been complied to and no corruption cases were identified.
- The organogram have been reviewed.
- All Council structures are functional and sit as planned

Challenges: Appointment of women in the senior management positions (section 54/56) was at 20% at the end of financial year. Four (4) out of five (5) section 56 managers' positions were filled.

CORPORATE SERVICES

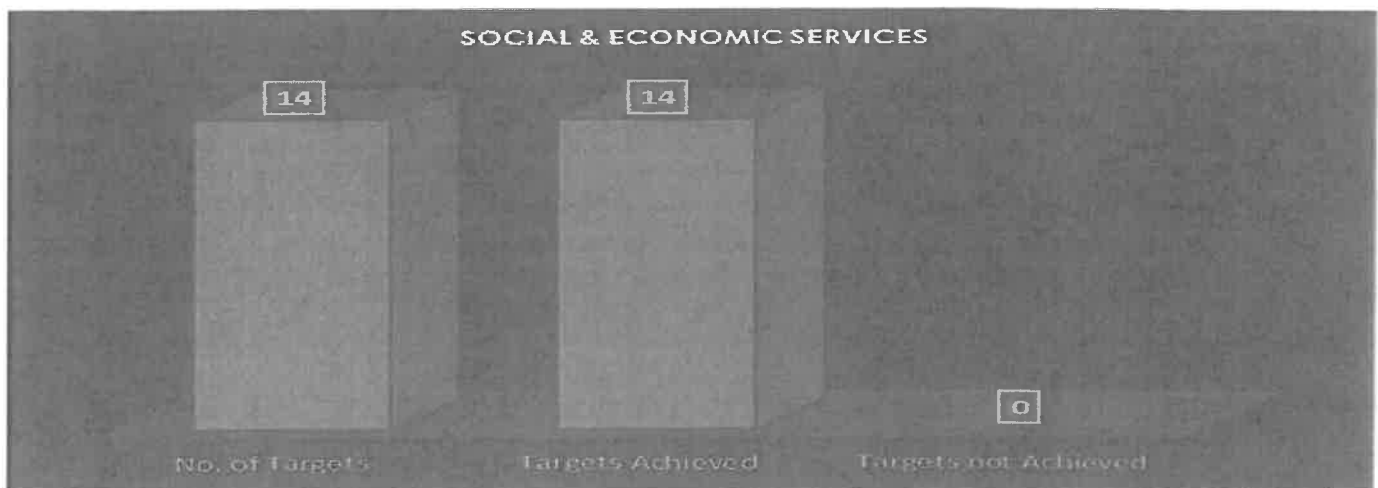


11.4. SDBIP- Social and Economic Services

The Social and Economic Services achieved target with an overall score of 100% at the end of the financial year. Overall, (14/14) achieved targets. Some of the successes were as follows:

- Facilitating the establishment of Uthukela Development Agency
- Completion of phase 1 of the District Disaster Management Centre and its operational
- Co-ordination and facilitation of Economic Development Summit
- Completion of phase 1 of Agri-Park

Challenges: Financial constraints



11.5. SDBIP- Water, Sanitation & Technical Services

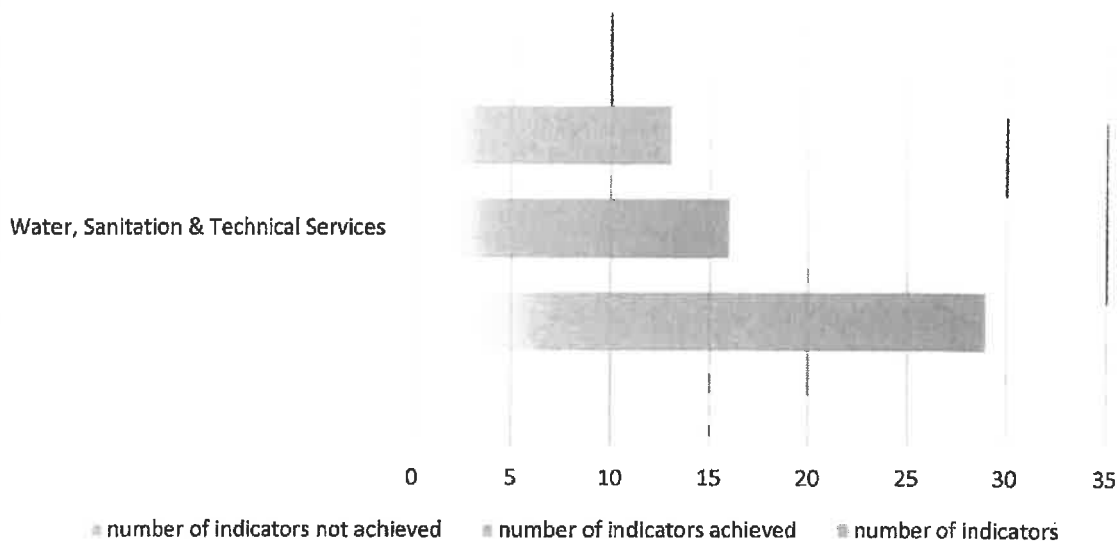
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The Water, Sanitation & Technical Services achieved target with an overall score of 55% at the end of the financial year. Overall, (16/29) achieved targets and (13/29) targets not achieved. Some of the successes were as follows:

- Water Master Plan is in place and monitored for its implementation.
- Able to source funding for projects implementation

Challenges: Aging infrastructure, Capacity in terms of staffing (vacant posts: General Manager, PMU Manager, and Area Engineer: Inkosi Langalibalele)

CHART TITLE



11.6. SDBIP- Municipal Health and Water Service Authority

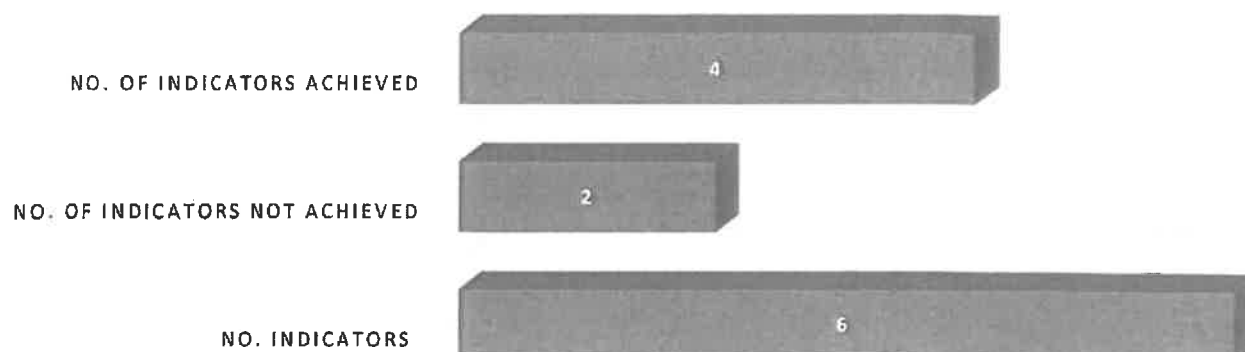
The Municipal Health and Water Service Authority achieved target with an overall score of 66.6% at the end of the financial year. Overall, (4/6) achieved targets. Some of the successes were as follows:

- Development of green drop/blue drop improvement plans

Challenges: Filling of vacant positions: EHPs and Manager WSA and Safe measures during plants visits

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MH&WSA



11.7. SDBIP Project Implementation

Project implementation is classified as Infrastructure projects, Capital projects or Processes. At the end of the year, project implementation was overall below target and budget.

11.7.1. Infrastructure Projects

The implementation of infrastructure projects received an overall score of (13/26) achieved at the end of the financial year.

11.8. Overall Municipal Performance per Departments

	Office of the Municipal Manager	Corporate Services	Budget & Treasury Office	Social & Economic Services	Water, Sanitation & Technical Services	Municipal Health & Water Service Authority	Total
No. of targets	20	10	20	14	29	6	99
No. of targets achieved	20	7	13	14	16	4	74
% of targets achieved	100%	70%	55%	100%	55.1%	66.6%	75.5%
No. of targets not achieved	0	3	7	0	13	2	25
% of targets not achieved	0%	30%	35%	0%	45.8%	33.3%	25.2%

12. OVERALL PERFORMANCE PER KEY PERFORMANCE AREA

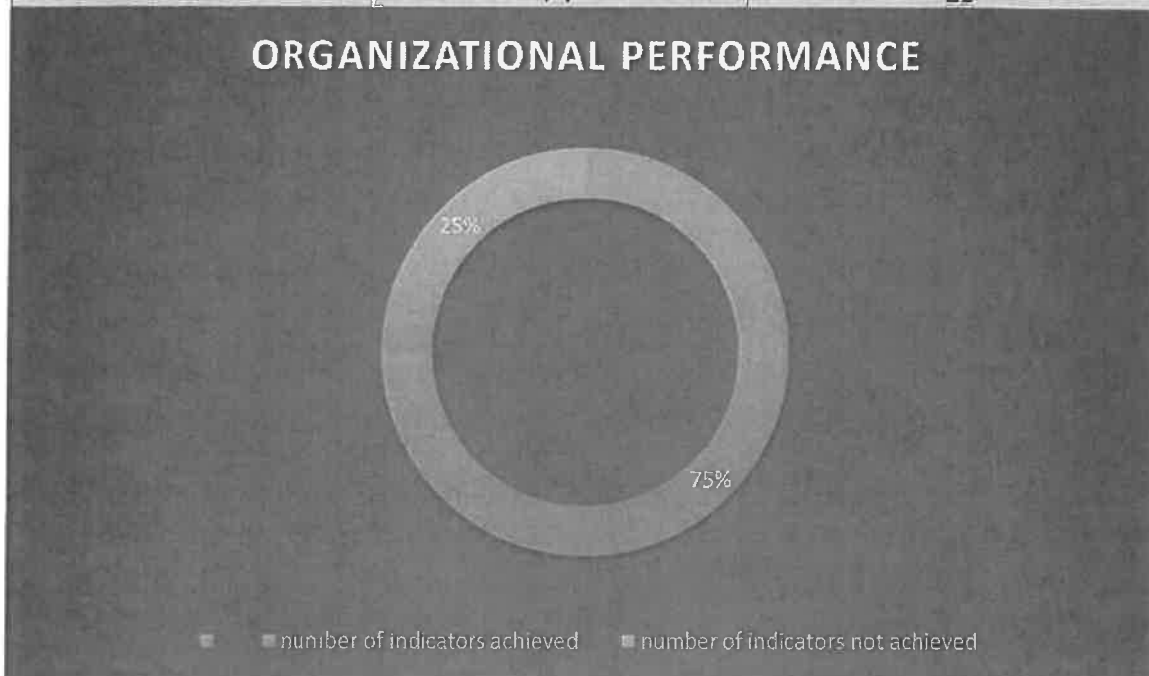
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12.1. % of Targets achieved against targets not achieved per Key Performance Area

	MTID	BSD	MF&FM	LED	GGPP	CCI
% of targets achieved	88%	55%	65%	100%	100%	100%
% of targets not achieved	13%	45%	35%	0%	0%	0%

12.2. Total number of targets achieved in the Organization against targets not achieved

Total number of targets	Total number of achieved	Total number of not achieved	% Achieved
99	74	25	75.5%



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13. ASSESSMENT OF EXTERNAL SERVICE PROVIDERS IN TERMS OF SECTION 46(1) (a) OF THE MUNICIPAL SYSTEMS ACT, 32 OF 2000

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports:

Assessment Key	
	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S)	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract
	The service has been provided below acceptable standards

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Bid Number	Name of external Service Provider	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance	
				Target	Actual	Target	Actual		
90-2012 PRS MOTEKO	Moteko Construction	Implementation of the rural road asset management system (RRAMS) grant objectives	R 7 800 000,00	New	New	100%	40%		x
161-2015 CON SINTHEMBA	Sinethemba Construction	Ezakheni e sewer reticulation	R 19 824 949,84	New	New	100%	100%	x	
154-2014 CON WINWATER MECH	Winwater Mechanical	Construction of Bhokuzulu/Ephangweni water supply scheme phase 7	R 29 141 908, 52	New	New	100%	96%	x	
178-2015 HIDROTECH	Hidrotech Infra	Construction of Kwanobamba/Ezizendeni water supply phase. 2b		New	New	100%	98%	x	
179-2015 CON SIKOTI	Sikoti Investment CC	Construction of Kwanobamba/Ezizendeni water supply phase 2b	R 27 687 405.57	New	New	100%	90%		x
11-2015 -CON KENTECH	Kentech	Construction of Kwanobamba/Ezizendeni water supply 3ml water treatment works	R 23 134 117, 90	New	New	100%	98%	x	
16-2015 CON SBT CIVILS	SBT CIVILS	Construction of Kwanobamba/Ezizendeni sanitation sewer reticulation and pump station phase 1a	R 39 304 763,00	New	New	100%	96%	x	
04-2016 CON SINTHEMBA JV CLUS	Sinethemba JV Clus	Sanitation infrastructure upgrade at Ezakheni E	R 19 824 949, 84	New	New	100%	100%	x	
15/2015-CON NJENGAMANJE	Njengamanje Trading cc	Weenen/Ezizendeni sanitation project waste water treatment works	R 10 239 217,91	New	New	100%	100%	x	

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03/2017-CON MAXODE TRADING & PROJECTS	Maxode Trading & Projects	Bhekuzulu/Ephangweni community water supply scheme: completion of outstanding works	R 84 894 697,69	New	New	25%	10%	X
186-2015 SEC REDSPIKE	Red Spike Security Services cc	Provision of armed security services	R 22 050 111,84	Provision of security services	Achieved	Provision of security services	Achieved	X
KZN UTDM 116-2015 TEL VODACOM	Vodacom	Telephone/cell phone expenses for Uthukela District Municipality employees	R 11 155 247	Provision of cellphon e	Achieved	Provision of cellphone	Achieved	X
KZN UTDM 20-2015 BONAKUDE	Bonakude Consulting	Compile a GRAP compliant asset register	R 15 345 950	Assets verification	Achieved	Assets verification	Achieved	X
KZN UTDM 06-2016 PRS INKAZIMULO	Inkazimulo Business Solutions	Financial management and reporting	R 4 501 219	Revenue Management	Achieved	Revenue Management	Achieved	X
06/2017-PRS SP PEARL NDABA ATTORNEYS	SP Pearl Ndaba Attorneys	Debt management services for Uthukela District Municipality	Percentage based	New	New	Debt Collection	In progress	X
06/2017-PRS HAHN COLLECTIONS	Hahn Collections	Debt management services for Uthukela District Municipality	Percentage based	New	New	Debt Collection	In progress	X

14. ORGANISATIONAL SCORECARD

//The Organisational Scorecard is attached as an annexure//

Project ID	Project Name	Project Description	Project Manager	Project Sponsor	Project Status	Project Start Date	Project End Date	Project Budget	Project Actual Cost	Project Variance	Project Risk Level	Project Key Deliverables	Project Key Milestones	Project Key Stakeholders	Project Key Risks	Project Key Issues	Project Key Actions	Project Key Decisions	Project Key Outcomes	Project Key Lessons Learned
001	Project A	Project A Description	Project A Manager	Project A Sponsor	Project A Status	Project A Start Date	Project A End Date	Project A Budget	Project A Actual Cost	Project A Variance	Project A Risk Level	Project A Key Deliverables	Project A Key Milestones	Project A Key Stakeholders	Project A Key Risks	Project A Key Issues	Project A Key Actions	Project A Key Decisions	Project A Key Outcomes	Project A Key Lessons Learned
002	Project B	Project B Description	Project B Manager	Project B Sponsor	Project B Status	Project B Start Date	Project B End Date	Project B Budget	Project B Actual Cost	Project B Variance	Project B Risk Level	Project B Key Deliverables	Project B Key Milestones	Project B Key Stakeholders	Project B Key Risks	Project B Key Issues	Project B Key Actions	Project B Key Decisions	Project B Key Outcomes	Project B Key Lessons Learned
003	Project C	Project C Description	Project C Manager	Project C Sponsor	Project C Status	Project C Start Date	Project C End Date	Project C Budget	Project C Actual Cost	Project C Variance	Project C Risk Level	Project C Key Deliverables	Project C Key Milestones	Project C Key Stakeholders	Project C Key Risks	Project C Key Issues	Project C Key Actions	Project C Key Decisions	Project C Key Outcomes	Project C Key Lessons Learned
004	Project D	Project D Description	Project D Manager	Project D Sponsor	Project D Status	Project D Start Date	Project D End Date	Project D Budget	Project D Actual Cost	Project D Variance	Project D Risk Level	Project D Key Deliverables	Project D Key Milestones	Project D Key Stakeholders	Project D Key Risks	Project D Key Issues	Project D Key Actions	Project D Key Decisions	Project D Key Outcomes	Project D Key Lessons Learned
005	Project E	Project E Description	Project E Manager	Project E Sponsor	Project E Status	Project E Start Date	Project E End Date	Project E Budget	Project E Actual Cost	Project E Variance	Project E Risk Level	Project E Key Deliverables	Project E Key Milestones	Project E Key Stakeholders	Project E Key Risks	Project E Key Issues	Project E Key Actions	Project E Key Decisions	Project E Key Outcomes	Project E Key Lessons Learned
006	Project F	Project F Description	Project F Manager	Project F Sponsor	Project F Status	Project F Start Date	Project F End Date	Project F Budget	Project F Actual Cost	Project F Variance	Project F Risk Level	Project F Key Deliverables	Project F Key Milestones	Project F Key Stakeholders	Project F Key Risks	Project F Key Issues	Project F Key Actions	Project F Key Decisions	Project F Key Outcomes	Project F Key Lessons Learned
007	Project G	Project G Description	Project G Manager	Project G Sponsor	Project G Status	Project G Start Date	Project G End Date	Project G Budget	Project G Actual Cost	Project G Variance	Project G Risk Level	Project G Key Deliverables	Project G Key Milestones	Project G Key Stakeholders	Project G Key Risks	Project G Key Issues	Project G Key Actions	Project G Key Decisions	Project G Key Outcomes	Project G Key Lessons Learned
008	Project H	Project H Description	Project H Manager	Project H Sponsor	Project H Status	Project H Start Date	Project H End Date	Project H Budget	Project H Actual Cost	Project H Variance	Project H Risk Level	Project H Key Deliverables	Project H Key Milestones	Project H Key Stakeholders	Project H Key Risks	Project H Key Issues	Project H Key Actions	Project H Key Decisions	Project H Key Outcomes	Project H Key Lessons Learned
009	Project I	Project I Description	Project I Manager	Project I Sponsor	Project I Status	Project I Start Date	Project I End Date	Project I Budget	Project I Actual Cost	Project I Variance	Project I Risk Level	Project I Key Deliverables	Project I Key Milestones	Project I Key Stakeholders	Project I Key Risks	Project I Key Issues	Project I Key Actions	Project I Key Decisions	Project I Key Outcomes	Project I Key Lessons Learned
010	Project J	Project J Description	Project J Manager	Project J Sponsor	Project J Status	Project J Start Date	Project J End Date	Project J Budget	Project J Actual Cost	Project J Variance	Project J Risk Level	Project J Key Deliverables	Project J Key Milestones	Project J Key Stakeholders	Project J Key Risks	Project J Key Issues	Project J Key Actions	Project J Key Decisions	Project J Key Outcomes	Project J Key Lessons Learned
011	Project K	Project K Description	Project K Manager	Project K Sponsor	Project K Status	Project K Start Date	Project K End Date	Project K Budget	Project K Actual Cost	Project K Variance	Project K Risk Level	Project K Key Deliverables	Project K Key Milestones	Project K Key Stakeholders	Project K Key Risks	Project K Key Issues	Project K Key Actions	Project K Key Decisions	Project K Key Outcomes	Project K Key Lessons Learned
012	Project L	Project L Description	Project L Manager	Project L Sponsor	Project L Status	Project L Start Date	Project L End Date	Project L Budget	Project L Actual Cost	Project L Variance	Project L Risk Level	Project L Key Deliverables	Project L Key Milestones	Project L Key Stakeholders	Project L Key Risks	Project L Key Issues	Project L Key Actions	Project L Key Decisions	Project L Key Outcomes	Project L Key Lessons Learned
013	Project M	Project M Description	Project M Manager	Project M Sponsor	Project M Status	Project M Start Date	Project M End Date	Project M Budget	Project M Actual Cost	Project M Variance	Project M Risk Level	Project M Key Deliverables	Project M Key Milestones	Project M Key Stakeholders	Project M Key Risks	Project M Key Issues	Project M Key Actions	Project M Key Decisions	Project M Key Outcomes	Project M Key Lessons Learned
014	Project N	Project N Description	Project N Manager	Project N Sponsor	Project N Status	Project N Start Date	Project N End Date	Project N Budget	Project N Actual Cost	Project N Variance	Project N Risk Level	Project N Key Deliverables	Project N Key Milestones	Project N Key Stakeholders	Project N Key Risks	Project N Key Issues	Project N Key Actions	Project N Key Decisions	Project N Key Outcomes	Project N Key Lessons Learned
015	Project O	Project O Description	Project O Manager	Project O Sponsor	Project O Status	Project O Start Date	Project O End Date	Project O Budget	Project O Actual Cost	Project O Variance	Project O Risk Level	Project O Key Deliverables	Project O Key Milestones	Project O Key Stakeholders	Project O Key Risks	Project O Key Issues	Project O Key Actions	Project O Key Decisions	Project O Key Outcomes	Project O Key Lessons Learned
016	Project P	Project P Description	Project P Manager	Project P Sponsor	Project P Status	Project P Start Date	Project P End Date	Project P Budget	Project P Actual Cost	Project P Variance	Project P Risk Level	Project P Key Deliverables	Project P Key Milestones	Project P Key Stakeholders	Project P Key Risks	Project P Key Issues	Project P Key Actions	Project P Key Decisions	Project P Key Outcomes	Project P Key Lessons Learned
017	Project Q	Project Q Description	Project Q Manager	Project Q Sponsor	Project Q Status	Project Q Start Date	Project Q End Date	Project Q Budget	Project Q Actual Cost	Project Q Variance	Project Q Risk Level	Project Q Key Deliverables	Project Q Key Milestones	Project Q Key Stakeholders	Project Q Key Risks	Project Q Key Issues	Project Q Key Actions	Project Q Key Decisions	Project Q Key Outcomes	Project Q Key Lessons Learned
018	Project R	Project R Description	Project R Manager	Project R Sponsor	Project R Status	Project R Start Date	Project R End Date	Project R Budget	Project R Actual Cost	Project R Variance	Project R Risk Level	Project R Key Deliverables	Project R Key Milestones	Project R Key Stakeholders	Project R Key Risks	Project R Key Issues	Project R Key Actions	Project R Key Decisions	Project R Key Outcomes	Project R Key Lessons Learned

[illegible]

15. CONCLUSION

The office of the Municipal Manager maintains a Portfolio of Evidence to support the achievements recorded in this Annual Performance Report, and Internal Audit has performed a verification of credibility of evidence for validity of the reported achievements.

Furthermore, in areas where performance was not achieved, we have provided reasons and remedial actions to ensure that performance is improved in the 2018/19 financial year.

Last but not least, the municipality strives to prioritize Performance Management. The PMS unit is functional and is entrusted with coordination of all performance management activities.

I thank you.



SN KUNENE
MUNICIPAL MANAGER