

ALFRED DUMA LOCAL MUNICIPALITY

FINANCE PORTFOLIO COMMITTEE MEETING

NOTICE IS HEREBY GIVEN THAT AN ORDINARY MEETING OF THE **FINANCE PORTFOLIO COMMITTEE** WILL BE HELD IN THE COUNCIL CHAMBER, **TOWN HALL BUILDING CORNER OF MURCHISON AND QUEEN STREETS**, LADYSMITH ON **TUESDAY, 13 DECEMBER 2016 AT 15:00** TO GIVE CONSIDERATION TO THE MATTERS SET OUT HEREUNDER



M V MADLALA (MAYOR)
CHAIRPERSON OF FINANCE PORTFOLIO COMMITTEE

Alfred Duma Local Municipality
30 November 2016

MEMBERS

Councillor	M V	Madlala (Mayor)
	L	Bhoobun
	L M	Kubheka
	S	Kubheka
	N R	Maphalala
	M E	Mbatha
	S R	Mfusi
	E V	Nkabinde
	M	Nkosi
	S Z	Sibisi
	M R	Suddaby

TRADITIONAL LEADERS

T R	Khumalo
S S	Kunene
F V	Mbhense
S A	Mchunu
M A J	Nkosi
M M	Nxumalo
M A	Radebe
N B	Shabalala
N S	Sithole
C N	Zwane

DISTRIBUTION LIST

Councillors

Councillor	T	Hadebe (Ms)	Deputy Mayor
	T W	Ngubane (Mr)	Speaker

Staff Members

KZN Treasury

Mr S Khumalo

A G E N D A

- 1. NOTICE CONVENING THE MEETING**
- 2. LEAVE OF ABSENCE**
- 3. CONFIRMATION OF MINUTES: 18 OCTOBER 2016**
(Refer to the agenda of the meeting scheduled for Tuesday, 15 November 2016)
- 4. MATTERS ARISING FROM MINUTES: 18 OCTOBER 2016**
- 5. CONFIRMATION OF THE CREDIBILITY AND RELIABILITY OF INFORMATION**
- 6. CONSIDERATION OF AGENDAS:**
 - 6A: MEETING SCHEDULED FOR TUESDAY 15 NOVEMBER 2016**
 - 6.1 EXCO AND COUNCIL ACTION LIST: SEPTEMBER AND OCTOBER 2016**
 - 6.2 REPORT: FRUITLESS AND WASTEFUL EXPENDITURE, DEVIATIONS FROM THE SUPPLY CHAIN MANAGEMENT PROCESSES AND UNAUTHORISED AND IRREGULAR EXPENDITURE: OCTOBER 2016 IN ACCORDANCE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT NO.56 OF 2003 (MFMA) AND CIRCULAR NO.68 ISSUED BY NATIONAL TREASURY**
 - 6.3 5% RATES INCENTIVE FOR THE 2016/2017 FINANCIAL YEAR**
 - 6.4 REQUEST FOR AUTHORISATION TO INCREASE THE INTEREST RATE AS PER GOVERNMENT GAZETTE DATED 4 MARCH 2016**
 - 6.5 INCENTIVE PROGRAM: 2016/2017 FINANCIAL YEAR – 1 NOVEMBER 2016 TO 31 MARCH 2017**
 - 6.6 BUDGET STATEMENT: OCTOBER 2016**
 - 6(B): MEETING TO BE HELD ON 13 DECEMBER 2016**
 - 6.1 EXCO AND COUNCIL ACTION LIST: OCTOBER AND NOVEMBER 2016**
 - 6.2 ALFRED DUMA LOCAL MUNICIPALITY 2017/2018 – 2021/2022 FIVE (5) YEAR PLAN**
 - 6.3 REPORT AUDITOR-GENERAL: AUDIT OUTCOMES**
- 7. CLOSURE**

**EXCO AND COUNCIL ACTION LIST: OCTOBER AND NOVEMBER 2016
(DEPARTMENT OF FINANCE SECTION)****ROUTING**

FPC - 13 December 2016

PURPOSE

To submit the October and November 2016 EXCO and Council action lists in respect of the Department of Finance.

BACKGROUND

The purpose of the report is to ensure that all resolutions taken by EXCO and Council are attended to and to ensure that matters are followed up and implemented as per the EXCO and Council resolutions.

Attached as Annexure "A" as shown from pages 1 to 6 is the Department of Finance EXCO and Council Action List for the months of October and November 2016.

CONFIRMATION OF CREDIBILITY AND RELIABILITY OF INFORMATION: EXECUTIVE DIRECTOR: FINANCE (CFO)

1. I hereby confirm that according to the information availed to me in respect of this item that to the best of my knowledge the information submitted to the committee is acceptable and that the relevant stakeholders were performing their tasks/duties according to the Auditor-General's instruction of 2011.
2. That should more information to the contrary to what was made available to the committee becomes available at a later stage, I reserve the right to revisit my findings.

LEGAL COMMENTS

None.

RISK COMMENTS

None.

FINANCIAL IMPLICATIONS

None.

CHALLENGES

None.

RECOMMENDATION BY THE EXECUTIVE DIRECTOR: FINANCE (CFO)

That the contents of the updated EXCO and Council Action List for October and November 2016 in respect of the Department of Finance be noted.

FOR INFORMATION



M HLOBA
EXECUTIVE DIRECTOR: FINANCE (CFO)

Ref: T Shaik - Ext 1008

18 November 2016/ts

File Reference: 3/1/2/2

EXCO MINUTES: 17 NOVEMBER 2016

[illegible]

		FINANCE MANAGEMENT ACT NO 56 OF 2003 (MFMA) AND CIRCULAR NO 68 ISSUED BY NATIONAL TREASURY	<p>3. That the Executive Director Finance (CFO) takes necessary steps to recover the fruitless and wasteful expenditure in terms of Section 32(2)(b) of the Municipal Finance Management Act, No 56 of 2003, which may include further investigation to be conducted if necessary.</p> <p>4. That the Executive Director Finance (CFO) ensures that focus discussions/disciplinary processes were instituted against employees responsible, in order to recover any fruitless and wasteful expenditure that was incurred.</p> <p>5. That it be noted that no Supply Chain Management Deviations occurred during October 2016.</p> <p>6. That it be noted that no unauthorised and irregular expenditure were incurred during October 2016.</p>	<p>Done on a monthly basis.</p> <p>To be monitored.</p> <p>For Noting</p> <p>For Noting</p>	
17/11/2016	COLLECTION UNIT – (CFO)	ITEM B 13 EC18/11/2016 INCENTIVE PROGRAM: 2016/2017 FINANCIAL YEAR	1. That the Incentive Program in respect of the 2016/2017 financial year be approved with effect from 1 December 2016 to 31 March 2017.	Adverts and Notices prepared, to be placed in Local publications.	

COUNCIL MINUTES: 27 OCTOBER 2016

DATE OF MINUTES	RESPONSIBLE OFFICIAL	HEADING	RECOMMENDATION	ACTION	COMMENTS
COUNCIL MINUTES : 27/10/2016					
27/10/2016	EDF (CFO)	ITEM A 2 LC2/10/2016 DISCLOSURE OF FRAUDULENT AND CORRUPT ACTIVITIES – SEPTEMBER 2016	That it be noted that there were no fraudulent and corrupt activities that were detected within the Alfred Duma Local Municipality during the month of September 2016.	N/A	Item for Information
27/10/2016	SUPPLY CHAIN MANAGEMENT (CFO)	ITEM B 20 LC24/10/2016 REPORT: FRUITLESS AND WASTEFUL EXPENDITURE, DEVIATIONS FROM THE SUPPLY CHAIN MANAGEMENT PROCESSES AND UNAUTHORISED AND IRREGULAR EXPENDITURE: SEPTEMBER 2016 IN ACCORDANCE WITH THE	<p>1. That Council in terms of Section 32(2)(b) of the Municipal Finance Management Act, No. 56 of 2003 note the Fruitless and Wasteful Expenditure in the amount of R45.49 for the month of September 2016, further noting that the amount of R45.49 had not been recovered.</p> <p>2. That the Executive Director Finance (CFO) improves the processes to ensure that fruitless and wasteful expenditure do not occur,</p>	For Noting.	To be monitored.

		<p>especially in terms of late payments.</p> <p>3. That the Executive Director Finance (CFO) takes the necessary steps to recover the fruitless and wasteful expenditure in terms of Section 32(2)(b) of the Municipal Finance Management Act, No 56 of 2003, which may include further investigation to be conducted if necessary.</p> <p>4. That the Executive Director Finance (CFO) ensures that focus discussions/disciplinary processes were instituted against employees responsible, in order to recover any fruitless and wasteful expenditure that was incurred.</p> <p>5. That the Supply Chain Management Deviations in respect of September 2016 in the amount of R4 078.01 be condoned by Council.</p> <p>6. That it be noted that no unauthorised and irregular expenditure were incurred during September 2016.</p>	<p>Done on a monthly basis.</p> <p>To be monitored.</p> <p>Condoned by Council.</p> <p>For Noting</p>	
<p>MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003 (MFMA) AND CIRCULAR NO 68 ISSUES BY NATIONAL TREASURY</p>				

27/10/2016	MFMA BUDGET OFFICE – (CFO)	<p>ITEM B 23 LC27/10/2016 QUARTERLY REPORT ON WITHDRAWALS IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT FOR THE FIRST QUARTER (JULY 2016 TO SEPTEMBER 2016: 2016/2017 FINANCIAL YEAR</p>	7. That the Executive Director Finance investigates how a deviation could be recorded if the company was a service provider of the municipality.	Formal response to be submitted by EDF.	
			That the contents of the Report in respect of the withdrawals in terms of the Municipal Finance Management Act for the first quarter (July 2016 to September 2016 in respect of the 2016/2017 Financial Year as contained in the EXCO Agenda be noted.	N/A	For Noting.
27/10/2016	MFMA BUDGET OFFICE – (CFO)	<p>ITEM B 24 LC28/10/2016 BUDGET STATEMENT – SEPTEMBER 2016</p>	That the contents of the Budget Statement for September 2016 as contained in the EXCO Agenda be noted.	N/A	For information.

**ALFRED DUMA LOCAL MUNICIPALITY 2017/2018 – 2021/2022 FIVE (5) YEAR PLAN
(DEPARTMENT DEVELOPMENT, PLANNING AND HUMAN SETTLEMENTS – TOWN
PLANNING SECTION)**

ROUTING:

MCM	- 06 December 2016
DPHSPC	- 07 December 2016
CSPC	- 08 December 2016
SSPC	- 08 December 2016
FPC	- 13 December 2016
EXCO	- 15 December 2016
COUNCIL	- 15 December 2016

PURPOSE

To consider the Alfred Duma Local Municipality 2017/2018- 2021/2022 Five (5) Year Plan.

BACKGROUND

The Department of Development Planning and Human Settlements working with the Department of Infrastructure and Services has developed a 5 Year Plan for Alfred Duma Local Municipality for the 2017/2018- 2021/2022 financial years. Attached as Annexure A is the Alfred Duma Local Municipality 5 Year Plan for the 2017/2018- 2021/2022 financial years.

CHALLENGES

Nil.

LEGAL COMMENTS

Noted and supported.

RISK COMMENT(S)

Noted and supported.

FINANCIAL IMPLICATIONS

Nil.

**CONFIRMATION OF CREDIBILITY AND RELIABILITY OF INFORMATION: EXECUTIVE
DIRECTOR: DEVELOPMENT, PLANNING AND HUMAN SETTLEMENTS**

1. I hereby confirm that according to the information availed to me in respect of this item that to the best of my knowledge, the information submitted to the committee is acceptable and that the relevant stakeholders were performing their tasks/duties according to the Auditor-General's instruction of 2011.

2. That should more information to the contrary to what was made available to the committee becomes available at a later stage, I reserve the right to revisit my findings."

RECOMMENDATION: EXECUTIVE DIRECTOR: DEVELOPMENT, PLANNING AND HUMAN SETTLEMENTS

That the committee approves the Alfred Duma Local Municipality 2017/2018-2021-2022 Five (5) Year Plan.

FOR CONSIDERATION



P S MKHIZE

EXECUTIVE DIRECTOR: DEVELOPMENT, PLANNING AND HUMAN SETTLEMENTS

Ref: Kwenza Hlela – Ext 1459

Date: 26/09/2016

File Ref: 2/3/1/2/3

MUNICIPAL CLUSTERS AND SERVICE DELIVERY PLAN 238

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**REPORT AUDITOR-GENERAL: AUDIT OUTCOMES
(OFFICE OF THE MUNICIPAL MANAGER – INTERNAL AUDIT SECTION)**

ROUTING

MCM	-	13 December 2016
FPC	-	13 December 2016
SOSPC	-	14 December 2016
EXCO	-	15 December 2016
COUNCIL	-	15 December 2016

PURPOSE

To provide the results on the External Audit Process conducted by the Office of the Auditor General in respect of the 2015/2016 financial year.

BACKGROUND

1. The former Emnambithi/ Ladysmith has obtained a "Clean Audit" outcome.
(Attached as Annexure A)
2. The former Indaka Municipality has obtained an Unqualified Audit outcome.
(Attached as Annexure B)

FINANCIAL IMPLICATIONS

None

COMMENTS LEGAL SECTION

None

RISK COMMENTS

Supported.

CHALLENGES

None

**CONFIRMATION OF CREDIBILITY AND RELIABILITY OF INFORMATION:
MANAGER INTERNAL AUDIT**

1. I hereby confirm that according to the information availed to me in respect of this item that to the best of my knowledge the information submitted to the committee is acceptable and that the relevant stakeholders were performing their task/duties according to the Auditor-General instruction of 2011.
2. That should more information to the contrary to what was made available to the committee becomes available at a later stage, I reserve the right to revisit my findings.

RECOMMENDATIONS BY MANAGER INTERNAL AUDIT

1. That the results on the External Audit Process conducted by the Office of the Auditor General in respect of the 2015/2016 financial year be noted.
2. That management develop and implement an action plan to deal with the Auditor General findings to be presented at the next meeting.

FOR INFORMATION



^ **M HLOBA**
EXECUTIVE DIRECTOR FINANCE (CFO)

Reference: Mrs S Mahraj

07/12/2016 / SL

File Ref No.5/2/2/1/1

ANNEXURE A



Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Auditor-General of South Africa

Emnambithi/Ladysmith
Municipality - audit report
2015-16

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Emnambithi/Ladysmith Municipality

Report on the financial statements

Introduction

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

Accounting officer's responsibility for the financial statements

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

Auditor-general's responsibility

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

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

Opinion

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

Emphasis of matters

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

Events after the reporting date

8. As disclosed in note 46 to the financial statements, the municipality was affected by the re-determination of boundaries in terms of the Provincial Notice 151 of 2016 issued in the Provincial Gazette No 1723, dated 29 July 2016. The Department of Cooperative Governance and Traditional Affairs issued a notice in terms of Section 12 of the Local Government : Municipal Structures Act, 1998 for the disestablishment of the Emnambithi/Ladysmith Municipality and Indaka Local Municipality and the establishment of the new Alfred Duma Local Municipality. The Emnambithi/Ladysmith Municipality will cease to exist as at 9 August 2016.

Material losses and impairments

9. As disclosed in note 17 and 18 to the financial statements, the municipality raised a provision for bad debt impairment amounting to R130,64 million (2015: R112,54 million) on trade and other receivables as the recoverability of these amounts are doubtful.

Additional matter

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

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

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for Basic service delivery and Good governance and public participation priorities presented in the annual performance report of the municipality for the year ended 30 June 2016.
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the Basic service delivery and Good governance and public participation priorities.

Additional matters

19. I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priorities; however, I draw attention to the following matters:

Achievement of planned targets

20. The annual performance report on pages x to x includes information on the achievement of the planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Basic service delivery priority. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

22. I performed procedures to obtain evidence that the municipality complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

23. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

24. I draw attention to the following engagements that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

25. A case of alleged theft of money by a cashier is being investigated by the South African Police Services for a period covering January 2014 to January 2016. This investigation is in progress.

Auditor - General

Pietermaritzburg

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE B



Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Auditor-General of South Africa

Indaka Local Municipality - audit report 2015-16

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Indaka Local Municipality

Report on the financial statements

Introduction

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

Accounting officer's responsibility for the financial statements

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

Auditor-general's responsibility

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

Opinion

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

Emphasis of matters

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

Events after the reporting date

7. As disclosed in the accounting officer's report in note 2 to the financial statements, the municipality was affected by the re-determination of boundaries in terms of the Provincial Notice 151 of 2016 issued in the Provincial Gazette No.1723, dated 29 July 2016. The Department of Cooperative Governance and Traditional Affairs issued a notice in terms of Section 12 of the Local Government: Municipal Structures Act, 1998 for the disestablishment of the Emnambithi/Ladysmith Municipality and Indaka local municipality and the establishment of the new Alfred Duma Local Municipality. The Indaka local municipality will cease to exist as at 9 August 2016.

Material impairments

8. As disclosed in note 10 to the financial statements, material impairments to the amount of R 2,8 million (2015: R 2,5 million) were incurred as a result of the municipality not implementing adequate processes for the collection of outstanding debtors.

Additional matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

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

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the Basic service delivery and infrastructure development objective presented in the annual performance report of the municipality for the year ended 30 June 2016.
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the Basic service delivery and infrastructure development objective.

Additional matters

18. I identified no material findings on the usefulness and reliability of the reported performance information for the selected objective however, I draw attention to the following matters.

Achievement of planned targets

19. The annual performance report on pages x to x includes information on the achievement of the planned targets for the year.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Basic service delivery and infrastructure development priority. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary information

21. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion on them.

Compliance with legislation

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

Strategic planning and performance management

23. The performance management system was not adopted by council as required by section 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA) and the Municipal planning and performance management regulation 8.
24. The service delivery and budget implementation plan (SDBIP) for implementing the municipality's delivery of municipal services and annual budget was not approved by the mayor as required by section 1 and 53(1)(c) of the MFMA.

Procurement and contract management

25. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

Expenditure management

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

Revenue management

27. 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 MFMA.

Consequence management

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

Annual financial statements

29. 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 disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

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

Leadership

31. Leadership did not provide adequate oversight and monitoring controls in ensuring that effective measures were taken to address previous findings on irregular expenditure, as well as findings on compliance with legislation. This was due to instability of leadership relating to suspensions and resignations of key management.

Financial and performance management

32. Adequate reviews and monitoring controls over the compliance with legislation was not implemented resulting in repeat supply chain management findings and other non-compliance identified.

Reports

33. A report on the investigation of allegations of maladministration against the senior management was tabled by the Department of Co-operative Governance and Traditional Affairs (COGTA) on the 25 February 2016. COGTA concluded on their report that council must implement appropriate action against senior managers who were found guilty of misconduct.
34. Furthermore there are 7 ongoing allegations relating to financial misconduct and improper conduct relating to supply chain management that are being investigated by COGTA. These investigations are still in progress.

Auditor-General

Pietermaritzburg

30 November 2016



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