

DISCLOSURES OF FINANCIAL INTEREST

Disclosures of Financial Interests		
Period 1 July to 30 June of 2016/2017		
Position	Name	Description of Financial interests
Mayor	MA Chiliza	Taxi Owner, MTN & Sasol
Member of EXCO	IM Mavundla	None
	PH Mthiyane	None
	NT Zwane	None
Councillors	MA Manyoni	None
	SN Caluza	None
	M Gwabe	None
	PT Naude	Hibiscus hospital
	LMR Ngcobo	None
	SP Mthethwa	Stomp Dayard (Pty) Ltd, Taxi owner
	BE Machi	None
	NH Gumede	None
	WT Dube	Taxi owner, Kusabelele Investment
	DMM Hlengwa	None
	JJ East	None
	SR Ngcobo	None
	MPL Zungu	None
	N Mweshe	None
	ZZ Msani	None
	D Nciki	None
	HJ Ngubelanga	None
	TA Disane	None
	Ngubo	None

Disclosures of Financial Interests		
Period 1 July to 30 June of 2016/2017		
Position	Name	Description of Financial interests
	NC Mqwebu	None
	H Mbatha	None
	GS Mngomezulu	None
	BT Cele	None
	R Nair	None
	GD Henderson	Property Company, Anglo American, Anglo Platinum, Aspen, Billiton, Discovery, DRD Gold, Kumbha, Net Care, Old Mutual, Sanlam, Steinhoff, Vodacom, Better Bond.
	A Rajaram	None
	B Ntusi	None
	SE Khawula	None
	M Mzimela	None
Municipal Manager	DD Naidoo	Business Partner – Sak Investments GC Reddy Via Super Auto Midas, Picorite Investments.
Other S57 Officials		
GENERAL MANAGER: CORPORATE SERVICES	Vuyiwe Tsako	None
GENERAL MANAGER: BUDGET and TREASURY	Sibongile Mbili	Shareholder in Green Square, Sesifikile Dry Cleaners.
GENERAL MANAGER: IED	Zakithi Mbonane	Board Member: South Africa Institute for Urban Managers Director: KZN Development Consultant cc
GENERAL MANAGER: WATER SERVICE	Lungile H Cele	None

The Municipality has prioritized good and ethical corporate governance. In this regard, it has a functional Risk Management Unit and a Risk Management Policy; an Internal Audit and an Anti-Fraud and Anti-Corruption Strategy in place



CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Annual Financial Statements

Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	District Municipality
The following is included in the scope of operation	<p>Municipality: Provide community within Ugu District with Water and Sanitation services.</p> <p>Municipal Entity: Ugu South Coast Tourism: Developing and promoting the Ugu district as tourism destination.</p> <p>Municipal Entity: Ugu South Coast Development Agency: Implementing economic growth and development.</p>
Mayoral committee	Cllr MA Chiliza (Deputy Mayor: Appointed as Mayor on 23 February 2017)
Mayor	Cllr OT Mnyayiza (Mayor: Passed on)
	Cllr NH Gumede (Mayor: Appointed as Speaker on 10 August 2017)
Executive Council	Cllr GS Nyawuza
	Cllr LMR Ngcobo
	Cllr SP Mthethwa
	Cllr IM Mavundla
	Cllr JS Mbutuma
	Cllr NF Shusha
	Cllr PH Mthiyane
	Cllr NT Zwane
Grading of local authority	Grade 5
Chief Finance Officer (CFO)	Ms SP Ngilande
Accounting Officer	Mr DD Naidoo
Registered office	28 Connor Street Port Shepstone KwaZulu-Natal 4240
Business address	28 Connor Street Port Shepstone KwaZulu-Natal 4240
Postal address	P O Box 33 Port Shepstone KwaZulu-Natal 4240
Bankers	Primary Banker: ABSA Bank Limited; Secondary Bankers: Nedbank Bank Limited; Standard Bank Limited; First National Bank Limited; and Investec Limited.
Auditors	Auditor General South Africa (AGSA) Registered Auditors
Website	www.ugu.gov.za

Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the consolidated financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

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

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

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the economic entity's cash flow forecast for the year and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the Accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated financial statements. The consolidated financial statements have been examined by the economic entity's external auditors and their report is presented on page 6.

The consolidated financial statements set out on pages 6 to 138, which have been prepared on the going concern basis, were approved by the accounting officer on 29 September 2017 and were signed on its behalf by:



Mr DD Naidoo
Accounting Officer

Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. During the current year six (6) number of meetings were held.

Name of member	Number of meetings attended
Mr P Preston (Chairperson)	6
Mr B Dladla	5
Ms C Elliott	6
Ms B Jojo	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 166(2)(a) to (e) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of consolidated financial statements

The audit committee has:

- reviewed and discussed the audited consolidated financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the consolidated financial statements, and are of the opinion that the audited consolidated financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the economic entity.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ugu District Municipality set out on pages ... to ..., which comprise 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 amounts 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 report, the financial statements present fairly, in all material respects, the financial position of the Ugu 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

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for all property, plant and equipment, impairment and accumulated impairment for the year, due to the status of the accounting records in support of these assets. I was unable to confirm these assets, impairment and accumulate impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R3,93 billion (2016: R3,85 billion) in note 11 to the financial statements.

Revenue and receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for all service charge revenue, receivables and related impairments due to inadequate internal controls in the billing process. I could not confirm service charge revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charge revenue stated at R314,58 million in note 21 and the related receivables from exchange transactions stated at R390,58 million in note 8 to the financial statements.

Commitments

5. I was unable to obtain sufficient appropriate audit evidence for commitments, as the municipality did not maintain accurate and complete records of the contractual information used to determine commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R711,12 million in note 41 to the financial statements.

Context for the opinion

6. 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.
7. I am independent of the municipality's 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.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Material losses – water

10. As disclosed in note 50 to the financial statements, material water losses to the amount of R29, 59 million (2016: R 27, 14 million) was incurred which represents 25.19% (2016: 25.99%) of total water purchased as a result of technical and non-technical distribution losses. The losses arose from the tampering with meters, faulty meters and illegal water connections.

Other matters

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA the municipality's 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.