

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
50. Unauthorised expenditure (continued)				
Cash line items				
Personnel (Employee costs)	19 532	-	19 532	-
Lease rentals on operating lease	1 563 216	1 100 086	1 563 216	1 100 086
Bulk purchases	6 932 181	-	6 932 181	-
Non-cash line items				
Depreciation and amortisation	74 997 103	75 598 213	74 997 103	75 598 213
Impairment loss	40 098 251	37 079 215	40 098 251	37 079 215
Bad debts written-off	-	172 017	-	172 017
	37 585 068	-	37 585 068	-
	161 195 351	113 949 531	161 195 351	113 949 531

51. Fruitless and wasteful expenditure

Opening balance	1 141 608	3 212 403	1 139 380	3 212 403
Penalty on vehicle licence fee	83	-	-	-
Other Fruitless and wasteful expenditure - Interest on late payment	252 913	40 417	42 372	35 228
Fruitless and wasteful expenditure - traffic fine	379	-	-	-
Fruitless and wasteful expenditure - Legal fees	-	37 276	-	37 276
Fruitless and wasteful expenditure - Interest on legal fees	-	340 958	-	340 958
Fruitless and wasteful expenditure - SARS Penalties	619 068	45 773	619 068	45 773
Fruitless and wasteful expenditure - additional collection fee	-	2 200	-	-
Fruitless and wasteful expenditure - SARS Interest	4 784	680 145	4 784	680 145
Fruitless and wasteful expenditure - late cancellations	1 706	980	-	-
Fruitless and wasteful expenditure written-off	(3 934)	(3 218 544)	-	(3 212 403)
	2 016 607	1 141 608	1 805 604	1 139 380

Disciplinary steps/criminal proceedings:

Investigations are being conducted by internal audit on the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful.

52. Irregular expenditure

Opening balance	142 509 218	153 568 391	142 471 834	151 888 760
Add: Irregular Expenditure - current year	31 174 275	6 745 183	19 586 861	6 707 799
Less: Amounts written-off	(37 384)	(17 804 356)	-	(16 124 725)
	173 646 109	142 509 218	162 058 695	142 471 834

Analysis of expenditure awaiting condonation per age classification

Current year	31 174 275	6 745 183	19 586 861	6 707 799
Prior years	142 485 834	135 778 035	142 471 834	135 764 035
	173 660 109	142 523 218	162 058 695	142 471 834

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

52. Irregular expenditure (continued)

Details of irregular expenditure – current year - Economic entity

	Disciplinary steps taken/criminal proceedings	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".	5 629 138
Expenditure according to the provisions of Regulation 36 of Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	14 214 858
Expenditure according to the provisions of Regulation 22 of Municipal Supply Chain Management Regulations: long-term contracts advertised for a period less than 30 days.	Investigations are conducted by an internal audit.	11 330 279
		31 174 275



Notes to the Consolidated Financial Statements

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Figures in Rand	2017	2016	2017	2016

52. Irregular expenditure (continued)

Details of irregular expenditure – current year - Controlling entity

	Condoned by (condoning authority)	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".	5 629 138
Expenditure according to the provisions of Regulation 36 of Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	2 627 444
Expenditure according to the provisions of Regulation 22 of Municipal Supply Chain Management Regulations: long-term contracts advertised for a period less than 30 days.	Investigations are conducted by an internal audit.	11 330 279
		19 586 861

Department	Date	Successful tenderer	Reason	Economic Entity	Controlling Entity
Water Services	29 November 2016	Kamawewe Development Consultants (KDC)	Variation order number 4 has exceeded 20% threshold	2 287 101	2 287 101
Budget and Treasury Office	30 June 2017	Eyethu Translodge & Plant Hire (Pty) Ltd	The municipality is claiming an amount that was erroneously paid. Refer to contingent asset note 42.	340 343	340 343
Ugu South Coast Tourism	30 June 2017		Service provider without a tax clearance certificate	72 190	-
Ugu South Coast Development Agency	30 June 2017		Non-adherence to supply chain process	11 515 224	-
				14 214 858	2 627 444

Furthermore, the municipality has made the following awards to persons in service of Government institutions contrary to the provisions of paragraphs 44 of the Municipal Supply Chain Management Regulations:

Company Name	Related Person	Municipal Capacity	Purchases for year	Purchases for year
Arch Actuarial Cons	C Wiess	Human Science Research Council	11 000	9 120
Business Connexion	NN Kekana	Gauteng Film Commission	103 688	995 064
Minolco (Pty) Ltd	KR Mthimunye	State Information Technology Agency	49 307	107 643

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
52. Irregular expenditure (continued)				
Nashua Communications	D Nchoba	NAT: Arts & Culture	1 262 075	645 918
WCO Africa (Pty) Ltd T/A SANI	TS Setshedi	Tshwane University Of Technology	1 098 482	1 238 441
Illovo Sugar Ltd	M Hankinson	Transnet Group	394 534	383 430
Aurecon Sa (Pty) Ltd	Z Ebrahim	Social Housing Regulatory Authority	2 404 222	895 568
Pricewaterhousecoopers Combined Systems Pty Ltd	PJ Mothibe	Independent Regulatory Board For Auditors	35 025	15 219
Consolidated African Technolog	SS Ntsaluba	National Energy Regulator Of South Africa	100 643	157 889
CQS Technology Holdings	IB Skosana	Transnet Group	170 162	91 851
			5 629 138	4 540 143

Supplier	Contract Number				
MABHAKUBHAKU TRADING PTY LTD	UGU- 05-1380-2016	201 610	-	201 610	-
DARK OR BLUE MARKETING AND COMMUNICATIONS	UGU -09-1398-2016	245 000	-	245 000	-
DARK OR BLUE MARKETING AND COMMUNICATIONS	UGU-09-1388-2016	180 000	-	180 000	-
HR LITHOGRAPHIC PRINTER CC	UGU-09-1399-2016	96 471	-	96 471	-
SHELLY TRAVEL	UGU-06-1387-2016	379 073	-	379 073	-
CITY OF CHOICE	UGU-06-1387-2016	111 928	-	111 928	-
JOAT	UGU-07-1409-2016	1 195 317	-	1 195 317	-
SONANI TRAINNING AND COMMUNICATION	UGU-07-1406-2016	473 133	-	473 133	-
ZODWA SKILLS	UGU-07-1406-2016	176 666	-	176 666	-
FULL PAMA	UGU-07-1406-2016	106 900	-	106 900	-
ALL CONNECTIONS	UGU-07-1406-2016	53 480	-	53 480	-
MAGUMZANE TRADING CC	UGU-07-1406-2016	60 753	-	60 753	-
SPECTRUM PTY LTD	UGU-07-1406-2016	91 000	-	91 000	-
LNy CONSTRUCTION	UGU-07-1367-2016	737 832	-	737 832	-
SOMPISI	UGU-05-1367-2016	2 087 675	-	2 087 675	-
EMHLUNGWINI	UGU-07-1381-2016	1 366 402	-	1 366 402	-

Notes to the Consolidated Financial Statements

Figures in Rand		Economic entity		Controlling entity	
		2017	2016	2017	2016
52. Irregular expenditure (continued)					
FS GONZALVES	UGU-07-1384-2016 7/2	2 757 561	-	2 757 561	-
YASEER TRADING CC	SPU047653	182 250	-	182 250	-
MZANZI LDK TRADING CC	SPU049656	40 500	-	40 500	-
CMH VUWANI	UGU-05-1357-2015 7/2	30 020	-	30 020	-
ABSA BANK Limited	UGU-06-1371-2016	656 708	-	656 708	-
		11 230 279	-	11 230 279	-

53. Water losses

Water losses

Unaccounted water losses	29 588 217	27 141 118	29 588 217	27 141 118
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Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tempered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

A five-year strategic non-revenue water reduction was adopted and implemented by the Executive Committee in May 2014. The below-mentioned technical information was derived at as part of the implementation plan:

Volumes in ML/year:	2017 ML/Year	2016 ML/Year	2017 ML/Year	2016 ML/Year
System input volume	45 067	41 840	45 067	41 840
Billed authorised consumption	33 304	30 760	33 304	30 760
Unbilled authorised consumption	411	207	411	207
Apparent losses	3 599	3 423	3 599	3 423
Real losses	7 998	7 450	7 998	7 450
Estimated non-revenue water	11 765	11 080	11 765	11 080
	102 144	94 760	102 144	94 760
Number of connections	60 987	44 605	60 987	44 605
Real losses %	17,75 %	17,81 %	17,75 %	17,81 %
Water losses %	25,19 %	25,99 %	25,19 %	25,99 %
Non-revenue water %	26,10 %	26,48 %	26,10 %	26,48 %
	69,04 %	70,28 %	69,04 %	70,28 %

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 675 661	2 673 470	3 675 661	2 673 470
Amount paid - current year	(3 675 661)	(2 673 470)	(3 675 661)	(2 673 470)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016
54. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Audit fees				
Opening balance	24 661	25 441	-	-
Current year subscription / fee	3 740 676	3 765 918	3 210 452	3 090 207
Amount paid - current year	(3 740 676)	(3 747 363)	(3 210 452)	(3 090 207)
Amount paid - previous years	(24 661)	(19 335)	-	-
	-	24 661	-	-

No amounts were outstanding at the end of the financial year.

PAYE and UIF

Opening balance	3 482 779	-	3 482 779	-
Current year subscription / fee	56 684 217	41 997 910	54 988 222	40 363 103
Amount paid - current year	(56 684 217)	(38 515 131)	(54 988 222)	(36 880 324)
Amount paid - previous years	(3 482 779)	-	(3 482 779)	-
	-	3 482 779	-	3 482 779

No amounts were outstanding at the end of the financial year.

Pension and Medical Aid Deductions

Current year subscription / fee	77 710 587	63 604 344	77 049 520	63 100 259
Amount paid - current year	(77 710 587)	(63 604 344)	(77 049 520)	(63 100 259)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

VAT

VAT receivable	18 743 266	29 739 241	18 575 169	29 870 530
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor IM Mavundla	125	52	177
Councillor MA Manyoni	251	27 002	27 253
Councillor GD & JE Henderson	747	1 346	2 093
Councillor MA & ZP Chiliza	2 846	2 397	5 243
Councillor NH Gumede	2 492	2 956	5 448
Councillor TB Cele	125	1 489	1 614
	6 586	35 242	41 828

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor VL Ntanza	2 749	6 961	9 710
Councillor ST & PY Gumede	2 161	1 598	3 759
Councillor ST Gumede	119	198	317
Councillor TN Dzingwa	1 165	93	1 258
Councillor NH Gumede	2 591	-	2 591
Councillor NA Madlala	123	-	123
Councillor MA & ZP Chiliza	166	-	166
Councillor MJ Sibango	972	-	972
Councillor Y Nair	1 521	-	1 521
Councillor SM Zuma	79	-	79
Councillor IM Mavundla	57	-	57
Councillor SB & SP Cele	41	-	41
	11 744	8 850	20 594

Non-compliance

In terms on Section 125 (2) (e) of Municipal Finance Management Act 2003, there were no non-compliance were identified during the financial period.

55. S36 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
55. S36 Deviation from supply chain management regulations (continued)				
Department	Reason	Sub-section	Amount 2017	Amount 2016
Water Services	Emergency	S36(i)	7 111 762	-
Water Services	Extension of a light and heavy duty contract	S36(v)	6 626 489	-
Office of Municipal Manager	Contract expired, in a process to award a new contract	S36(v)	542 969	-
Corporate Services	Agent	S36(ii)	100 000	150 000
Corporate Services	Contract expired, in a process to award a new contract for security services	S36(v)	18 117 535	8 235 384
Corporate Services	Security at MM's residence	S36(i)	160 920	-
Office of Municipal Manager	Mayor's memorial service - Impractical to follow SCM process	S36(ii)	271 092	-
Corporate Services	No venue was available at that time	S36(v)	8 550	-
Budget and Treasury Office	Customer database information required for the implementation of the Sage Evolution ERP set up	S36(v)	2 037 487	-
Corporate Services	Emergency	S36(i)	-	4 836 471
Water Services	Sole Supplier	S36(ii)	-	56 440
Total for controlling entity	-	-	34 976 804	13 278 295
Ugu South Coast Tourism	Sole supplier	S36(ii)	836	28 237
Ugu South Coast Tourism	Impractical to get three quotations	S36(ii)	1 829 949	2 166 072
Ugu South Coast Development Agency	Sole supplier	S36(ii)	-	15 960
Ugu South Coast Development Agency	Impractical to follow SCM process	S36(v)	1 876 179	339 975
Total for economic entity			38 683 768	15 828 539

In terms of Section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

55. S36 Deviation from supply chain management regulations (continued)

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.



Ugu District Municipality
Appendix A
June 2017

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Short-term portion 30 June 2017	Interest paid during period
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
101980/001	31/03/2022	13 533 649	-	1 986 349	11 547 300	2 086 907	652 089
101980/002	30/06/2023	17 225 256	-	1 799 534	15 425 722	1 933 551	838 904
102756/001	30/06/2029	50 809 470	-	2 987 238	47 822 232	3 140 071	2 415 244
		81 568 375	-	6 773 121	74 795 254	7 160 529	3 906 237
Other loans							
Various	Various	8 516 787	-	679 653	7 837 134	1 271 921	-
DBSA (Ex Hibiscus Coast)	Various	171 634	-	-	171 634	171 634	-
DBSA (Ex Umdoni)	Various	93 909	-	-	93 909	50 994	-
		8 782 330	-	679 653	8 102 677	1 494 549	-
Annuity loans							
4076267341	30/06/2020	55 202 533	-	11 548 065	43 654 468	12 935 724	5 867 876
		55 202 533	-	11 548 065	43 654 468	12 935 724	5 867 876
Total external loans							
		81 568 375	-	6 773 121	74 795 254	7 160 529	3 906 237
		8 782 330	-	679 653	8 102 677	1 494 549	-
		55 202 533	-	11 548 065	43 654 468	12 935 724	5 867 876
		145 553 238	-	19 000 839	126 552 399	21 590 802	9 774 113