

Emalahleni Municipality

Annual Report

2009/2010



Final Draft 31 March 2011

VISION

“Working for a future in which the Emalahleni Municipality delivers appropriate, sustainable and affordable services towards socio-economic growth and development for the emancipation of its Community.”

MISSION

“A commitment of resources to coordinate and support programmes through effective partnerships and active community participation.”

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Part 1

Introduction and Overview

Forward by the Mayor

It is indeed a pleasure and a privilege as Mayor of Emalahleni Municipality to present the Annual Report for the 2009/2010 financial year. We have had to weather many storms and challenges during the year under review but have been able to emerge stronger and more committed to achieving our goals than ever before. This annual Report will set out what was achieved and will highlight areas of focus and challenge.

In his book “Legacy of Freedom” Professor Kader Assail quotes Pixley ka Isaka Seme, a principal founder of the African National Congress, as follows:

“There is today among all races and men a general desire for progress and for cooperation because cooperation will facilitate and secure that progress. The greatest success shall come when man shall learn to cooperate, not only with his own kith and kin but with people and with all life.”

Guided by this principle of cooperation and by the example of former President Nelson Mandela we have focused our work towards achieving the most critical reason for the struggle – to ensure a better future and quality of life for all. Service Delivery underpins all that we seek to achieve guided by the declaration in President Jacob Zuma’s State of the Nation speech of 2010 as the “YEAR OF ACTION”. The Municipality has performed under trying times for we, as a rural municipality, are faced with limited resources from which to access funds to address the **HUGE SERVICES DELIVERY NEEDS** within our community. Our ability to in any way increase our revenue from within our own resources are minimal thus severely hampering our effectiveness to function and address the needs of our community. We have tried to meet the vast needs of our community whilst ensuring that we maintained a balanced budget. In doing so we have had to make hard decisions to ensure we as a Council abide by the prescripts of the MFMA and exercise fiscal responsibility.

It is for this reason that we must salute our President Jacob Zuma and his cabinet on the innovative action taken by the Municipal Turn Around Strategy adopted whereby each municipality and its unique needs are being assessed individually. We look forward to the positive impact of these interventions in the next year.

I am however proud to report that despite the constraints we faced we as a municipality grasped the challenge of our President Jacob Zuma to accept this as the “Year of working together to speed up effective service delivery to the people”

In support of this, as a municipality we have attempted to ensure that every effort has been made to implement and ensure commitment to the COGTA’s 5 year Strategic Agenda for Local Government, and to ensure that this strategy would inform both the IDP and all budget planning for successful implementation.

In so doing, and in an effort to bring the communities closer to local government initiatives and to ensure buy in and commitment to the identified projects and service delivery generally, every effort has been made to facilitate and increase public participation. Every effort has been made to ensure that closer relations are built between Councillors, Community Development Workers and Ward Committees and in so doing to improve service delivery within all areas.

This has been successfully achieved and between Imbizo's, business meetings, Ward committee meetings, and the approval of the Public Participation Policy, our emphasis on public participation is set to continue unabated and with great enthusiasm and success. Stakeholder and community involvement remain the key to success and these are areas where we will continue to focus on improvements as we move forward.

Challenges have been experienced within Special Projects in respect of the structures relating to children and the disabled and the Youth Forums have not functioned in the manner required. Efforts will continue to provide improvements within these areas.

2010 saw the Nation rise to the challenge of presenting a hugely successful FIFA World Cup to . May we at Emalahleni Municipality move forward with similar drive to succeed and in so doing contribute towards the nations success by facilitating service delivery and sustainable local government within Emalahleni Municipality.

I take this opportunity to acknowledge the Speaker, the Council, the Municipal Manager, his dedicated management team and officials for contributing to a successful 2009/2010.

NOLITHA LALI
HONORABLE MAYOR OF EMALAHLENI MUNICIPALITY

Municipal Manager's Report

It is with great pleasure and pride that I am able to present you with the 2009/2010 Annual Report for Emalahleni Municipality.

As in past years, my role as Municipal Manager has been to ensure that a more focused approach to service delivery and meeting the needs and objectives of the IDP (the Integrated Development Plan) is achieved and reflected within the operational plans of the organization as detailed within the SDBIP (Service Delivery and Budget Implementation Plans). In so doing, I am happy to report that much progress has been made, although areas do still exist where interventions and improved performance and service delivery are required.

Challenges and key objectives over this past year are reflected below and are indicative of the priorities set by the political and administrative management of the municipality (following broad consultation with all communities and stakeholders):

- The Public Participation Framework Policy and the application thereof has promoted public participation more successfully this year and has ensured that Ward Committees and Council truly become agents of transformation (facilitated through the good working relationship between Council and Community Development Workers).
- Efforts to finalize institutional transformation and development resulted in the application of strategy to meet the 5 year Strategic Agenda of Local Government. The appointment of the Community Services Manager during 2009/2010 has greatly facilitated this process, not to mention the filling of many critical posts throughout. The absence of a s57 Manager within Community Services, had until this point necessitated that these functions be performed by the other s57 managers and this was clearly not ideal.
- Attempts to upgrade and improve service delivery and infrastructure has achieved great success overall, although specific challenges remain, which include certain projects relating to:
 - Resurfacing of certain streets;
 - Roads and stormwater construction
 - Sewer maintenance plans,
 - Childcare facilities;
 - Education;
 - Municipal health;
 - Waste management;
 - Parks and recreation;
 - Billboards and advertising, and
 - Regulation and control of food selling premises.In most instances funding has been the greatest contributing factor for poor service delivery and a number of particular challenges remain as detailed further :
- The lack of a Building Control and Housing Officer has resulted in none of the 4 crèches being built as planned, and addressing needs as identified;

- Infrastructure needs in respect of education and training and the eradication of mud schools was not achieved due to lack of funds and cooperation between departments (ELM and Department of Education);
- Municipal Health Services remain uncoordinated as MOU's have not been signed between ELM, Department of Health, CHDM and Environmental Affairs (due to lack of cooperation);
- The application of the current organogram and updating and application of the Performance Management System will inevitably ensure a more effective and functional municipality;
- The Indigent Register has been updated and the policy is being applied more effectively. However the real challenge remains achieving accurate accounting for backlogs and being able to measure and provide accurate statistics.
- The Municipal Infrastructure Grant has been effectively utilized in enhancing basic infrastructure – although it is recognized that additional funding will always be required to address backlogs and ensure sustainability. Notwithstanding and in a great many areas, much progress was made.
- While the service provider's database and assessments is being managed more effectively, the impact of poor service provision from external service providers was clearly felt, as the Ndonga Cultural Village remains incomplete (due to a dispute between contractor and village).
- Progress in respect of Local Economic Development is still slow due to a number of factors which include: lack of business cooperation and support, and lack of cooperation and support from the providers themselves, not to mention limited internal capacity. However success has been achieved in the projects relating to: the monitoring and handling of bulls, the harvesting of sorghum, coal mining and tourism.
- While great strides have been made with expenditure management, greater effort is required in terms of income management which is greatly affected by the economic climate (79% poverty) and political issues at times, This makes income generation a constant challenge under extremely difficult circumstances.

I would like to take this opportunity to thank the Honorable Mayor, the Speaker and Councilors for their outstanding leadership and support, and my management team who have worked tirelessly this past year in order to ensure that we have made the great strides that we have.

N.J. KWEPILE
MUNICIPAL MANAGER

Executive Summary

The Executive Summary is intended to provide you with required detail regarding Emalahleni Municipality's strategic direction and focus, and the broad impact that this will have on the community.

Specific reference will be made to Emalahleni Municipality's 5-year Strategic Plan together with its reviewed IDP as per the requirements of Chapter 5 of the Municipal Systems Act, Act 32 of 2000. Detail provided will detail direction for the organization up until 2011.

In order to give operational effect to this 5-year strategy (flowing from the IDP), operational plans have been developed within each department and have been translated into the SDBIP (Service Delivery and Budget Implementation Plans), which in turn ensure that strategic direction and focus is maintained, and that ultimately that the goals of the IDP are met where practically possible.

In view of this, the overall financial health of the organization will also be examined, together with the successes and challenges that have been established within the administrative environment as well.

Key Performance Areas

A number of focus areas have been detailed by the Integrated Development Plan and reporting within these areas will be provided in greater detail within the various sections of the report as follows:

- **Good Governance and Public Participation**

Great strides were made during this financial year, with the appointment of an internal auditor. Significant progress has been made with the establishment of the Internal Audit Unit and following from this, an Audit Charter was developed and signed off by the Audit Committee (a shared Internal Audit Committee which was formed with the assistance of Chris Hani District Municipality). The conducting of a risk assessment and the establishment of internal controls also been better achieved. An Internal Audit Plan was developed and approved by the Audit Committee and all internal reports were submitted as required to the Internal Audit Committee.

A continued challenge relates to the lack of resources for the development and enforcement of by-laws. While overcome to some extent in the short-term through the appointment of an appropriate service provider, the intention is to appoint a Legal and Compliance Manager who will assist the Municipality in the development of by-laws and all legal compliance issues.

The application of the Public Participation Framework Policy has in our opinion been a success, and ever present with their valued contributions are the Ward Committees and Community Development Workers, who play the role of foot soldiers – engaging the community at every opportunity in order to facilitate public participation and “buy-in”

from all 16 Wards, as part of the Mayoral Outreach Programme. Mayoral Imbizos have served to provide feedback to communities re- IDP and Budget implementation, and updates on government programs relating to service delivery. Additionally this forum has provided feedback from the community to Council bringing both parties more effectively together. Public hearings have been conducted with various sector departments in relation to Municipal By-Laws and attempts at conducting a Customer Satisfaction Survey were not successful as due to lack of cooperation and coordination from the Ward Committees.

Our current and ongoing challenge with respect to public participation will always remain the vastness of our Wards, our geographical area and the great distances and terrain which makes it sometimes impossible for Ward Committee members to reach the community without appropriate transport.

- **Improved Service Delivery and Infrastructure Investment**

Great strides and progress was made in respect of infrastructure investment and delivery. Although many targets were achieved, others were partially achieved or not achieved due to funding constraints, lack of capacity, contractor issues and instances where third parties were involved --- these making the situation effectively “out of one’s control”.

Ongoing remains the challenge to address all identified backlogs in respect of essential services and to address these in a sustainable manner moving forward. That being said, we were able to utilize not only planned but additional amounts of the Municipal Infrastructure Grant that was received from National Treasury, and this was distributed amongst various services such Roads and Stormwater, Water and Sanitation and Electrification in order that current projects could be achieved within this financial year.

Phase 3 of our Municipal Electrification Programme was undertaken and reporting was provided as required. 1200 additional houses have access to water (a total of 27 590 households), roads have been resurfaced and constructed, bridges constructed, and 70km of roads with streetlights completed as required, and over 10 000 households have received access to free basic services. Overall specific challenges remain in respect of Sewer Maintenance Plans, cultural villages, acquisition of land for cemeteries, waste management sites and parks and recreation to name but a few. Notwithstanding, our current focus remains the back log on essential services and planning so as to ensure that not only are these services addressed but that they are sustained in the long-term and budgeted for to ensure sustainability.

- **Sustainable Economic Development**

A key objective within municipalities is to facilitate economic growth and investment through small medium macro enterprises. Training of SMME’s and cooperatives through the Small Enterprise Development Agency and the Eastern Cape Development Cooperation has facilitated the creation of small medium macro-enterprise.

Tourism management still has many challenges due to the lack of the ELM Tourism Association, and the ELM Business Forum is not functioning effectively as most businesses are not supporting this forum. In respect of mining rights, some success has been achieved with the establishment of the Community Trust in ELM, however brick-makers have not been formally registered as there appears to be little cooperation from the brick makers. On a positive note, the sorghum production programme has been over-achieved together with the Livestock Improvement Programme.

Our biggest challenge remains the exceptionally high unemployment rate, which continues unabated.

- **Municipal Financial Viability and Management**

A key performance indicator of our Municipality is to manage revenue and expenditure effectively and in order to facilitate this; every effort must be made to increase our revenue base.

This remains a particular challenge as within this region we face high unemployment levels and 79% poverty (Municipal Demarcation Board (2005) and Global Insight (2005). Additionally, government departments do not always service their debt timeously and this in turn results in cash flow management challenges.

Notwithstanding, successes have been achieved and as at 30 June 2010, the cash flow of the municipality reflected well into the positive, together with a healthy investment portfolio. Debt recovery remains a challenge and is impeded by political interference and the economic climate. A 30% debt collection rate has been achieved.

The application of the Indigent Policy is improving as both the policy and database are being updated more frequently.

Expenditure management is more successfully controlled with 90% expenditure rate and income management has been enhanced through the application of a Revenue Enhancement Strategy.

- **Transformation and Institutional Development**

It is imperative that a functional administration is created which is effective and efficient enough to support the overall development of this Municipality. Key to this success is the development and population of a functional organizational structure (organogram) and the effective performance management of all staff to ensure that organizational performance targets are met.

Accordingly 557 posts were filled and so too critically funded posts. SDBIPs have been created in a manner that ensures that targets are aligned both to the budget and to the IDP, and through the effective implementation of the Performance Management System, these operational plans and targets are managed for success.

It is envisaged that the Performance Management System will be more effectively revised and will over time be cascaded further down the organization, so as to ensure a more consolidated and focused approach to performance management.

- **Financial Health and Administrative Considerations**

These key aspects of performance will be addressed within various aspects of the report. In terms of financial health it must be noted that the report of the Auditor-General and the Audit Response have been included under Chapter 4 of this report. All issues raised by the Auditor-General's Report will be responded to and as per the Audit Response will be dealt with in a committed and coordinated fashion, which will inform many objectives for the following financial year.

Critical to the effective and efficient functioning of the municipality is the provision of a sound administrative function --- both politically and administratively. Tremendous successes have been enjoyed, not the least of which have included the appointment of S57 managers and critical posts, and the implementation of the performance management system which is planned to be cascaded throughout the organization (notwithstanding the initial difficulties associated with this system implementation which will be addressed later on in this report).

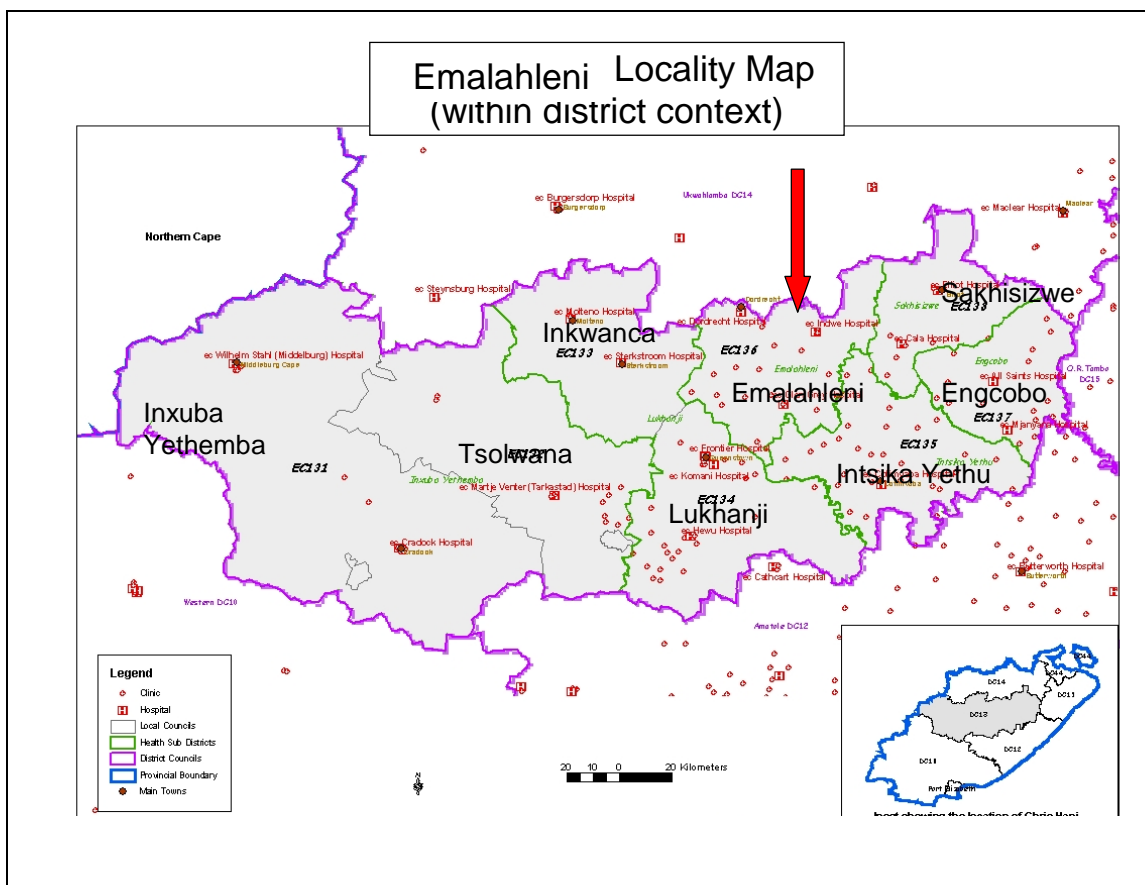
Geographical Context

Emalahleni Municipality was established during 2000 as a result of the amalgamation of the following local authorities:

- Lady Frere
- Dordrecht
- Indwe

Emalahleni comprises an extensive rural component and these towns are surrounded by approximately 200 villages and a number of farms.

Emalahleni Municipality is situated within the North Eastern Region of the Eastern Cape Province and is one of the eight (8) municipalities that form the Chris Hani District Municipality.



Population

According to recent statistics by the Municipal Demarcation Board (2005) and Global Insight (2005) the population of Emalahleni is estimated at 116 000 people and 26 000 households. This translates to an average household size of 4.46 people.

It would appear that the largest number of inhabitants are found within Lady Frere, followed by Nonese, Lumakala and Mhlontlo. Lower numbers of people are found in Lebitsa, Ekhhohlo and Kwa-Ndungwana. Around 79 of the total 137 settlement areas have populations of less than 500 people each, with 115 settlements having less than 1 000 people.

Growth Trends

It appears that Emalahleni's population grew negatively by 7% over the past 10 years.

The population density of Emalahleni Municipality is approximately 37 people per kilometer squared. However, it is noted that much of the population resides in the southern lower altitude sector of the area where the majority of rural settlements occur.

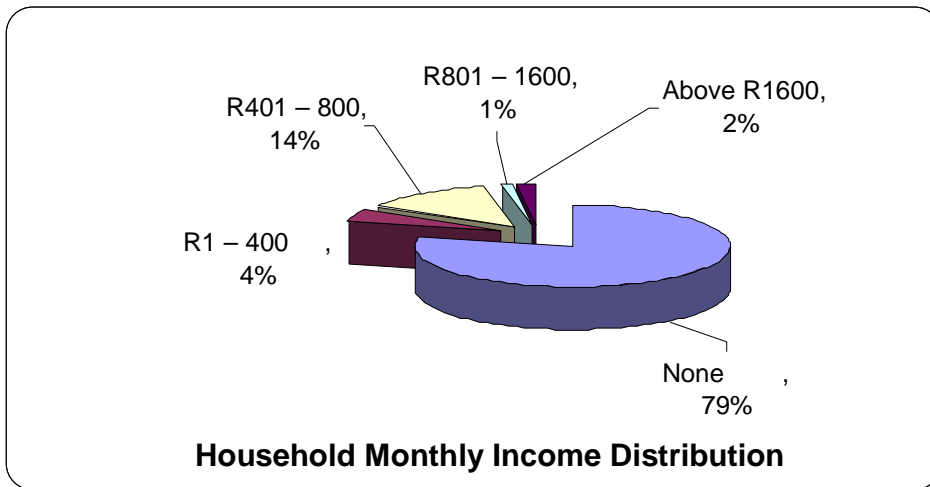
The living densities within these settlements range from between 5 000 – 9 000 people per square kilometer (e.g. Tyoksville, Manyano, Mavuya and Sinakho) to less than 20 people per square kilometer (e.g. Matyanlya, Glen Adelaide, Maqashu, Zwarwater and Buffelsoorns).

Income

Income Distributions

Income distribution raises the following issues:

- 79% of the population do not have access to a regular income (Municipal Demarcation Board (2005) and Global Insight (2005)).
- 1% of the population receive a gross monthly income of between R800 and R1 600.
- 83% have incomes less than R800 per month and of these 79% are households that are recorded as not having formal income at all.



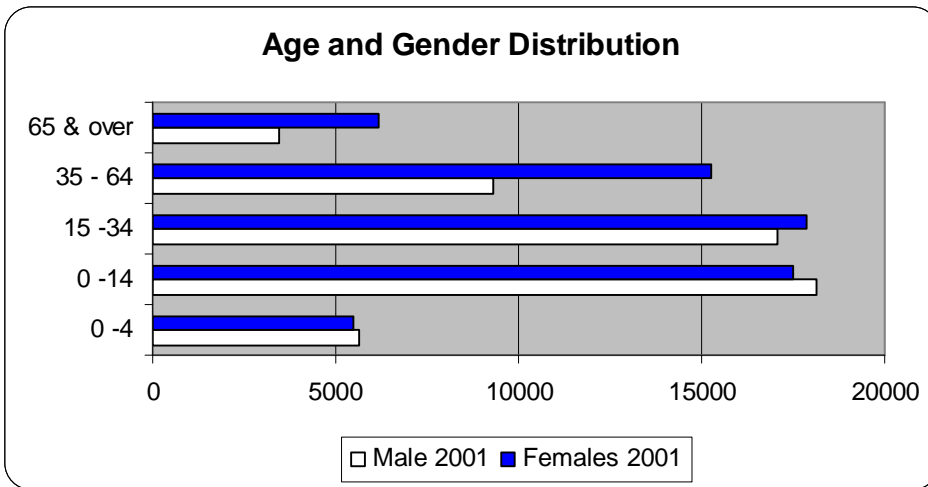
This figure details the monthly household incomes discussed and is based on the 2005 statistics by the Municipal Demarcation Board, citing the census 2001.

On the basis of these statistics it must be noted that almost the entire population of households can be regarded as indigents with either no income or incomes of less than R1 500 per month – and consequently these households would rely on state subsidies for housing or other services. The majority of these households depend on state pensions and grants and the situation depicted indicates that there are high levels of poverty experienced throughout the municipal area.

Reliance on approximately 2% of the household population to pay for services, will impede on any and all service delivery strategies that rely on residential cross subsidization. Effectively the municipality will be required to cross subsidize consumption of services, and this may prolong efforts to reduce any existing backlogs.

Age and Gender Distribution

Based on the 2001 Census statistics the figure below provides an age-gender distribution analysis.



As the organization consists of 39% females and 61% males, and females form the greater portion of the economically active population in the 15-64 year bracket, it will be strategic of the municipality to focus on increasing these persons involvement in local economic development and local initiatives. While the early groups of 0 to 4 and 5 to 14 years old show a majority of males, these figures do not carry through at higher ages. It is widely accepted that this trend is caused by the tendency of many males to leave the municipal area in search of better schooling or employment opportunities in developed urban centres.

Stated differently by way of example:

Women account for 13% of the age group 35 – 64 years while males only account for 8% of the population in the same age group.

This phenomenon (as explained above) effectively robs the local labour market of its potential workforce.

In the elderly population age group (65 years and older) women dominate with 5%, as compared with 3% for males.

Part 2

Achievement Reports

CHAPTER 1

ORGANIZATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

1.1 Presentation of the organizational structure (approved organogram)

Analysis and comparison between the currently approved organogram and current staff complement would indicate the following information:

- A total of 199 positions for the organization were approved for the 2009/2010 year. As compared with 2008/2009 it is noted that a decline of 43 positions occurred. The primary reason for this decline is the acknowledgement of the need to curtail the human capital budget, while taking into account the operational needs of the organization. Accordingly this planned reduction has allowed the previous portion of allocated funding for human capital to be redirected towards much needed service delivery.
- The total number of approved but vacant positions as at 30 June 2010 was 67.
- During this financial year the following 57 Managers were in possession of employment contracts and performance agreements:
 - Municipal Manager
 - Corporate Services Manager
 - Strategic Manager
 - Chief Financial Officer
 - IPED Manager
 - Community Services Manager
 - Technical Services Manager
 - Legal and Compliance Manager

All 57 manager positions have been filled although the Community Services Manager's post was filled 3 months into the financial year. These performance agreements and employment contracts were submitted to the Department of Housing and Local Government and Traditional Affairs within the prescribed timeframes. The following table provides a synopsis of the approved, filled and vacant posts within the organization.

Approved & funded posts in the entire institution	Number of Employment Contracts and Performance Agreements	Filled Posts	Total number of vacant funded posts in the entire institution
204	8	134	70

1.2 Staff development Initiatives during the Financial Year

The municipality compiled its Workplace Skills Plan for the 2009/2010 Financial Year and this was adopted as required by Council after having been signed by all the relevant parties (i.e. Employer and representatives of the Employees i.e. SAMWU and IMATU). Accordingly the following training and development programmes were planned and implemented and the total expenditure for 2009/2010 was R309 878.97. The entire allocated budget for training for 2009/2010 was spent on training, and details are reflected in the following table:

Target	No. of Trainees	Programme	Timeframes	Budget	Progress/ Comments
Training and Development of Cllrs	2	Advanced Certificate in Local Government Law and Administration	One year programme	ELM R32,400.00	The training was attended successfully; two delegates attended the training and they both completed the programme with Fort Hare University.
Training and Development of Staff.	3	Advanced Certificate in Local Government Law and Administration	One year programme	ELM R33,600.00	The training was attended successfully; three delegates attended the training and but only one candidate was found competent. The programme was done with Fort Hare University.
Training and Development of Staff.	2	Certificate in Executive Leadership	One year	ELM R30,000.0	The training was attended successfully; but final results awaited. Two employees attended the training with Fort Hare University.
Training and Development of Cllrs.	18	Certificate in Municipal Governance	One Year	ELM R14,9730.00	The training was attended successfully; 22 delegates started attending the programme but only 18 delegates completed the programme with Walter Sisulu University of Technology and Science.
Training and Development of Cllrs.	4	Basic Computer Training		One week	The training has begun but is not complete. Four Councillors began this programme but concerns are raised at their completion as Councillors have a very busy schedule especially during the Election Period.

Target	No. of Trainees	Programme	Timeframes	Budget	Progress/ Comments
Training and Development of Staff and Management.	4	Certificate in Programme Management Development	Eight months for first modules and four months for the last four modules i.e. Thirteen months	ELM R91,000.00 x 2 =R182,000.00	The training is progressing well and currently the two delegates are completing the four final modules of the programme. This is completed through the Wits Business School.
Training and Development of Ward Committees	80	Core Municipal Processes and Service Delivery for Ward Committees	One week	LGSETA	The training was attended successfully, 80 Ward Committees attended the course.
Training and Development of Staff.	3	Plumbing	45 days (from 14 September to 13 November 2009)	ELM R37,665.00	The training was attended successfully; three delegates attended the course with Border Training Centre
Training and Development of Staff.	3	Pre-Trade on Plumbing	20 days (from 28 September to 23 October 2009).	ELM R16,740.00	The training was attended; three employees attended the course with Border Training Centre. The quality of the service provider in meeting required standard is called into question and dissatisfaction is experienced with the quality of training provision.
Training and Development of Staff	3	Pre-Trade on Plumbing	20 days (from 13 September to 08 October 2009).	ELM R49,200.00	The training was attended; three employees attended the course with Eastern Cape Training Centre.
Training and Development of Management	2	Contract Management	One week	ELM R17,090.00	The training was received; two Managers attended the training and they were found competent with IMASA.

Target	No. of Trainees	Programme	Timeframes	Budget	Progress/ Comments
Training and Development of Staff and Interns.	1 official + 3 interns	Municipal Finance Management Act	One Week	FMG R20,276.00	<p>The training was attended successfully; one official and three Interns attended the course. It was conducted by Fort Hare University</p> <p>The training was postponed a number of times by the University of Fort Hare and that led to us not sending all of our delegates to the training due to lack of time as the delegates attended in the last dates for 2009.</p>
Training and Development of Staff	1	Bachelor of Technology in Public Management	One years	ELM R8,208.00	The training is in progress and one delegate is attending the programme with UNISA.
Training and Development of Staff	9	Water Care Treatment or Water Purification	20 days	R63,666.72	The Training was well received and all nine Plant Operators who attended were found competent
Training and Development of Staff	6 (But 1 unable to write exams)	National Certificate in Municipal Governance	Eight Months (from March 2009 – November 2009)	ELM R66,500.00	<p>The training was attended and the delegates wrote examinations at the beginning of November 2009. Six officials attended the course</p> <p>One delegate could not be able to write examinations as he was still not well as he was operated</p>

Target	No. of Trainees	Programme	Timeframes	Budget	Progress/ Comments
Internship	4	Finance Interns	Two years	FMG	Four finance interns have been employed on the 3 rd of August 2009 on a two year contract.
Internship	3	1 HR Trainee, 1 Committee Clerk Trainee and 1 Internal Audit Trainee	Two years	ELM	An advert has been issued, short listing has taken place and interviews have also been conducted. We are waiting for the approval for the interns to commence working.

Internship Programme

With funding received from National Treasury five (5) interns were employed in the year under review, and they are currently undergoing in-service training within the Department: Budget and Treasury Services. Identified students/graduates from recognized institutions were engaged to work for the Budget & Treasury Department. Identified students/graduates from recognized institutions were engaged to work for the Budget & Treasury Department.

They have been placed in Lady Frere, Dordrecht and Indwe Administrative Units.

The internship programme was introduced to alleviate the negative impact that skills shortages has had on recruitment and the subsequent placement of suitably qualified persons. The internship programme is aimed at empowering and capacitating future employable staff.

The internship programme is regarded as a means to balance the immediate shortages of staff with the long term demand for employees. It is envisaged that both current and future personnel shortages could be reduced as the Municipality intends to absorb some of the already trained candidates, who have been exposed to the organization on a practical level.

The table below indicates the positions as reflected in the budget

Summary of Personnel Numbers	2008/20099			Current Year 2009/10		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities						
Councillors (Political Office Bearers plus Other Councillors)	31			31		
Board Members of municipal entities						
Municipal employees						
Municipal Manager and Senior Managers	7		6	7		7
Other Managers						
Professionals						
<i>Finance</i>	17	14		17	13	
<i>Spatial/town planning</i>						
<i>Information Technology</i>						
<i>Roads</i>				1		1
<i>Electricity</i>						
<i>Water</i>						
<i>Sanitation</i>						
<i>Refuse</i>						
<i>Other</i>						
Technicians						
<i>Finance</i>						
<i>Spatial/town planning</i>	2	2		2	2	
<i>Information Technology</i>	1	1		1	1	
<i>Roads</i>	12	4		14	4	
<i>Electricity</i>	3	2		3	3	
<i>Water</i>	12	7		16	8	
<i>Sanitation</i>	19	18		22	16	
<i>Refuse</i>	25	21		25	21	
<i>Other</i>						
Clerks (Clerical and administrative)	38	37		38	37	
Service and sales workers						
Skilled agricultural and fishery workers						
Craft and related trades						
Plant and Machine Operators	4	4		4	4	
Elementary Occupations	23	17		23	17	
TOTAL PERSONNEL NUMBERS	194	127	6	204	126	8

1.3 **Key Human Resources Statistics (Actual)**

1.3 **Key Human Resources Statistics**

1.3.1 **Full Time Staff Complement per Level**

a. **Municipal Manager/s57 and Line Managers**

Approved Positions	Number of approved and budgeted posts per position	Filled Posts	Gender	Vacant Posts	Level
1	1	1	African Female	0	Mayor
1	1	1	African Male	0	Speaker
31	31	31	14 African Females and 17 African Males	0	Councillors
1	1	1	Male	0	Top Management
6	6	6	2 African Females, 1 White Female, 3 African Males	0	Senior Management
5	5	5	4 African Males and 1 White Male	0	Professionally qualified and experienced specialists and Mid-management
54	54	54	30 African Females, 2 White Females, 18 African Males and 2 White Males, 1 Colored Female, 1 Indian Female		Skilled technical and academically qualified workers, Junior Management, supervisors, foreman, and Superintendent

Staff appointments during this time: 28

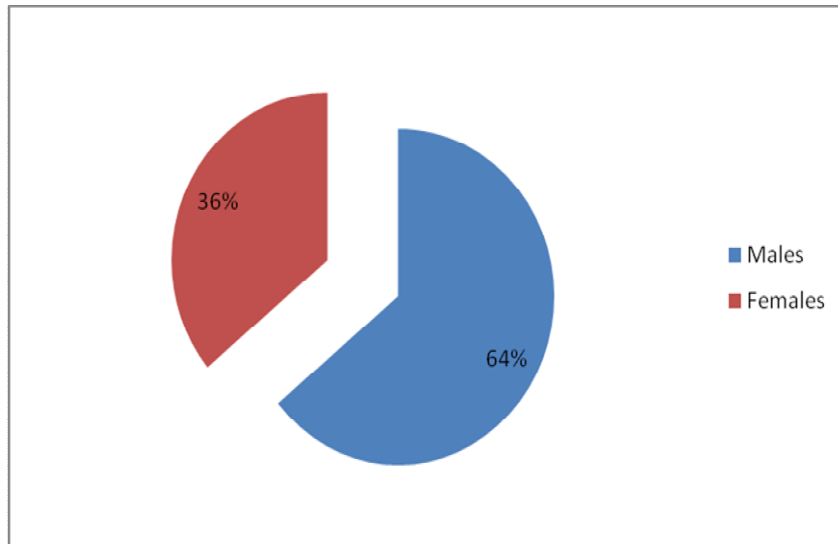
Staff terminations: 14

Gender Distribution (As reflected in the following table)

Females: 48 (35.82%) – rounded up to 36%.

Males: 86 (64.18%) – rounded down to 64%.

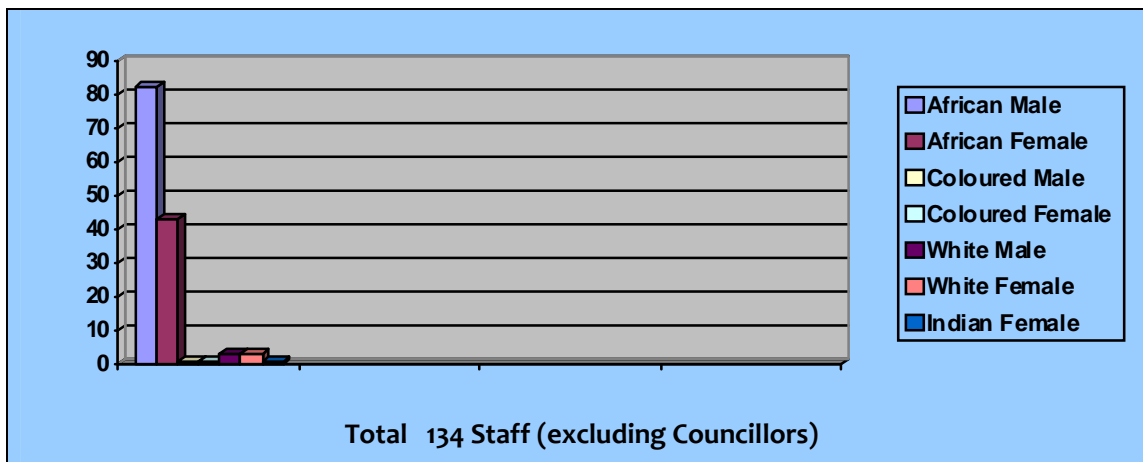
Gender Representation



RACIAL AND GENDER BREAKDOWN

NUMBER OF STAFF	RACE	GENDER
82	African	Males
43	African	Females
3	White	Males
3	White	Females
1	Coloured	Male
1	Coloured	Female
1	Indian	Female
Total 134 Staff (excluding Councillors)		

As depicted: Organization's Gender and Racial Breakdown



b. Staff Complement in the Technical Services Department

1.3.2a Technical Department Staff registered with professional bodies

Technical Service (e.g. Water, Electricity etc.)	Total Number of Technical Services Manager	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
	2	2	3	1

1.3.2b Corporate Services Department Staff registered with professional bodies

Technical Service (e.g. HR, Skills Development)	Total Number of Technical Services Manager	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
	1	1	0	0

1.3.2 Levels of Education and Skills (full staff complement)

Total Number of Staff	Number of staff without Grade 12	Number of staff with Senior Certificate Only	Number of staff with Tertiary accredited professionals training
134	64	17	51

1.3.3 Trends on Total Personnel Expenditure (Full Staff Complement)

Financial Years	Total No. of Staff	Total approved Operating Budget	Personnel Expenditure (salary & salary-related)	Percentage of Expenditure
2006-2007	106	R20 448 572.00	R17 559 529.00	85.87%
2007-2008	121	R24 917 755.00	R27 745 969.00	89.80%
2008-2009	175	R31 116 931.00	R15 827 104.00	50.86%
2009-2010	134	R25 925 142.00	R18 714 214, 00	72.18%

Salary Bill : Councillors R 5933 633.00
 Officials R18 714 214, 00

Note: The increase in the 2009/2010 Financial Year is attributed to the provisions made for post retirement benefits.

1.3.4 Pension Funds/Medical Aids to Whom Employees Belong (Full Staff Complement)

PENSION / PROVIDENT FUND	NUMBER OF MEMBERS
Cape Joint Retirement Fund	30
SALA Pension	35
SAMWU Provident Fund	43
TOTAL	108
MEDICAL AID FUNDS	NUMBER OF MEMBERS
LA Health	10
Bonitas	36
Hosmed	7
Key Health / Global Health	1
SAMWU Med	18
TOTAL	72

NOTE: The number of staff reflected as belonging to the medical aids will not correlate with the total staff complement, as it is not compulsory for staff to belong to a medical aid.

1.3.5.1 Medical Aid Scheme/s

Health Care / Medical Aid Is not compulsory but an optional service benefit and monthly contributions are made to Bonitas; Key Health; SAMWU Med; Hosmed; Global Health and LA Health Medical Aids'. In service and continued members receive 70% subsidy of the contribution payable and Widow(er) s of eligible in-service members receive 60% subsidy on and after death of the death of an in service member.

1.4 Senior Officials Wages and Benefits (included in the financial statements):

Listed below is the total wages as well as the benefits of the senior managers for the 2009/2010 period.

Designation	Salary	Medical Aid	Pension	Car Allowance	Total Package
Municipal Manager	R603 823.00	R23 292.00	R85 017.06	R125 200.00	R837 332.00
Chief Financial Officer	R590 509.00	R17 957.00	R80 695.00	R72 000.00	R761 161.00
Technical Services Manager	R485 242.00	13 393.00	R100 502.00	R75 926.00	R675 063.00
Corporate Services Manager	R543 776.00	R13 149.00	R103 027.00	R72 000.00	R731 952.00
Community Services Manager	R 117 229.00 (April 2010- June 2010)	R 3 360.00 (April 2010- June 2010)	R 27 177.00 (April 2010- June 2010)	R 21 000.00 (April 2010- June 2010)	AFS 168 766.00
IPED Manager	R482 024.00	R13 120.00	R103 994.00	R75 926.00	R675 064.00
Strategic Manager	R599 660.00	R13 323.00	R107 167.00	R75 926.00	R796 076.00
Legal and Compliance Manager	R86 668.000 (March 2010- June 2010)	R0.00	R0.00	R20 000.00 (March 2010-June 2010)	R106 668.00
TOTAL					R 4 752 082.00

1.5 Implementation of the Performance Management System (PMS)

The concept of Performance Management and the application of a Performance Management System began in the 2007/2008 financial year. As per the Municipal Planning and Performance Management Regulations of 2001, municipalities were required to utilize and adopt Performance Management policies that were commensurate with their resources and best suited to their circumstances.

Accordingly Emalahleni Municipality adopted a performance management framework that would be utilized to develop a Performance Management Policy, which would be appropriate for Emalahleni Municipality. Application of this policy and the population of the performance targets were also required to ensure alignment to the organizations Integrated Development Plan (Strategic Goals and Objectives) and it's annual budget for the year in question.

The Performance Management framework was based on the following pieces of legislation:

- Local Government Municipal Systems Act, Act no. 32 of 2000;
- Municipal Planning and Performance Regulations (2001) and (2006); and
- Municipal Finance Management Act, Act no. 56 of 2003.

In order to fulfill the performance management cycle, and processes of performance planning, monitoring, measurement, and review, the process of reporting was clearly defined within this framework.

Accordingly and in simple terms the following principles would apply:

- The 5 year IDP provides the strategic direction for the municipality, although this is broken down into annual IDP objectives.
- These objectives are translated into departmental objectives and these in turn are translated into the Service Delivery and Budget Implementation Plans for each department. As operational plans, these are required to be aligned to the budget and to depict annual performance targets that are broken down into quarterly targets.
- In terms of the process of Performance Management institutionally the SDBIP's would be further broken into individual performance objectives (as depicted within scorecards) and as these would cascade from the top to the bottom (throughout the organization) and these targets would be required to become more operational in nature.

To date the roll-out of the Performance Management System within Emalahleni Municipality **has not been successful** and has only been applicable to 57 Managers (and as indicated has not been effectively applied). Further refinement and work on the framework and policy itself is required in order to remedy these shortcomings and it is only after this has been achieved successfully that the roll-out will be planned and implemented for subsequent years.

Notwithstanding these practical shortcomings the monitoring and assessment of performance is required to occur regularly as follows:

Quarter	Period	Month of Reporting	Type of Monitoring
1	July – September	October	Coaching and Review
2	October – December	January	Assessment
3	January – March	April	Coaching and Review
4	April – June	July	Final Assessment

The review in January will coincide with the mid-year performance assessment as per s72 of the Municipal Finance Management Act, Act no. 56 of 2003. This section requires that

the Accounting Officer must by 25 January of each year, assess the performance of the municipality and report to Council on the service delivery performance during the first half of each financial year and the service delivery targets and indicators as set out in the SDBIP.

Annual Performance Reporting and Review

Annually it is required that a comprehensive report on the performance of the Municipality is compiled as per the prescriptions of Chapter 12 of the Municipal Finance Management Act, Act no. 56 of 2003.

The following Performance Reporting is therefore required:

REPORT	FREQUENCY	SUBMITTED FOR CONSIDERATION AND/OR REVIEW	REMARKS
1. SDBIPs	Quarterly	Exco	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
3. Organizational Scorecard	Quarterly	Exco	This PMS framework (see section 8.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
5. Performance Report	Annually	Council	See Section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual Report	Annually	Council	See Chapter 12 of the MFMA

The MFMA requires that an internal audit function is utilized in order to audit and verify the accurateness and correctness of the performance management function and reporting requirements (i.e. assessment of the functionality of the performance management system)

The internal audit system was outsourced as a shared function with support provision from Lukhanji Municipality. This shared audit function operates between Sakhisizwe Municipality, Emalahleni Municipality and Lukhanji Municipality. An Internal Auditor has now been appointed and this unit has now been effectively established. This shared function is working successfully and has resulted in huge improvements as compared with the 08/09 financial year, with the Audit Committee meeting quarterly as required.

The municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

The Audit Committee was established in terms of the MFMA and the Municipal Planning and Performance Management Regulations and is comprised of a minimum of 3 members, the majority of which are not employees of Council, and must exclude Councillors. Additionally the Chairperson may not be an employee of Emalahleni Municipality.

The Audit Committee is required to:

- Review the quarterly reports submitted to the internal audit;
- Review the PMS System of the municipality with recommendations to Council; and
- Submit the Audit Report to the Municipal Council at least twice during the financial year.

The table below highlights the key roles and responsibilities of all role-players.

Stakeholder Roles & Responsibilities

STAKEHOLDER	ROLE
Council / ExCo	<ul style="list-style-type: none"> • Adopt the PMS Framework & PMS • Adopt the Municipal Scorecard • Conduct Annual Review • Commission Performance Audits • Report to the public and Province
Management Team	<ul style="list-style-type: none"> • Plan for PM • Adopt the PMS Framework & PMS • Draft Scorecards • Approve Departmental Scorecards • Conduct Performance Measurements • Commission Performance Reviews • Produce PM Reports • Commission Performance Audits
Audit Committee	Audit PM Reports & make recommendations
Internal Audit	Audit the results of Performance Measurements
IDP Steering Committee	Participate in PM Planning, Monitoring & Review
IDP Rep. Forum	
Ward Committees	

Performance is assessed quarterly and the rating calculator used is to determine the scores for each KPA measured. A rating scale of 1 to 5 is used as indicated below.

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above the fully effective results against all performance criteria and indicators as specified in the PA and Performance Plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

The Process of Performance Assessments

Performance assessment is a process whereby the employees performance is assessed in terms of actual versus required performance and is aimed at concluding the employee’s performance measurement and development against set objectives. It will happen during the fourth quarter of the financial year. For purposes of practicality, performance assessments will be executed in a similar manner to the Performance Review (explained above), save the following important variations:

- a) It will not be a “stock take”, but will constitute a “final evaluation” exercise for the financial year, and any bonus wards (as detailed within the framework and /or policy) will be applied as appropriate.
- b) The minimum composition requirements of the evaluation panels will be as follows:

EVALUATION OF THE MUNICIPAL MANAGER	EVALUATION OF MANAGERS ACCOUNTABLE TO THE MUNICIPAL MANAGER
Mayor	MM
Chairperson of the audit committee	Chairperson of the audit committee
Executive Committee member	Executive Committee member
Mayor or MM from another municipality	MM from another municipality
Ward committee member nominated by Mayor	HR Manager
HR Manager	

- c) Performance assessment will form the basis of rewarding outstanding performance and correcting unacceptable performance.
- d) Using the rating calculator, the range of performance bonus will be allocated as follows, as a percentage of the all-inclusive remuneration package:

Performance Score	Performance Bonus
150% +	10% – 14%
130% to 149%	5% – 9%

- e) Unacceptable performance will be handled through the provision of remedial support to improve the employee's performance for an agreed timeframe (with the employer). If such structured attempts prove to be unsuccessful, the employer should take steps to terminate the contract on grounds of being unfit or in terms of incapacity. In that case, there should be adherence to the provisions of the Labour Relations Act.
- f) Within 14 days of concluding the assessment of the MM's performance, the results thereof will be submitted to the MEC for Eastern Cape local government and the national Minister for local government

NOTE: The implementation of the PMS will require coordination at the organizational level and in an ideal situation this responsibility would fall under the IPED Manager's area of responsibility. However at a practical level the capacity and workload within the IPED division does not allow this to occur as planned and Performance Management facilitation is conducted by the Strategic Manager (s57 post). The IPED Manager remains responsible for the IDP facilitation (which involves coordination of the IDP, SDBIP and Budget alignment i.e. performance management at the institutional level).

Application of Performance Management during 2009/2010

During the 2009/2010 period under review the application of the Performance Management System was reviewed and updated in terms of Policy. Subtle changes to the system were made and these are reflected on further follows:

- In order to comply with the National Indicators and to aid reporting and required measurement that is required from most other reports (Mid year reports, s46 reports, Annual Report, SDBIP reporting and the like), it was found to be beneficial to rework and to change the existing format of the various scorecards in order to ensure that they are aligned to the National Indicators and so too the IDP.
- The following Key Performance Areas were identified and reflected within each Departmental /s57 Manager's scorecard as follows:
 - Basic Service Delivery
 - Good Governance and Public Participation
 - Municipal Institutional Development and Transformation
 - Municipal Financial Viability and Management
 - Local Economic Development
- Within each Key Performance Area (KPA), applicable performance indicators would be provided. Here it must be noted that KPA's amounted to 80% of the value of Performance Targets. The remaining 20% come from Core Management Competencies (CMC's) which are required to be made up of 3 compulsory CMC's and two elective CMC's.

Compulsory CMC's are as follows:

- Financial Management
- People Management & Empowerment
- Client Orientation and Customer Focus

Assessment of Performance

Formal and final assessments occurred as required for the 557 managers in terms of the PMS assessment cycle although it is acknowledged that these assessments and performance assessments generally will become more effective over time as familiarity with this process and a culture of performance optimization is instilled throughout the organization.

At an individual level, the assessment of performance occurs, as an evaluation of actual performance as against the performance target. Each official who is assessed is required to develop /compile a Portfolio of Evidence and to present this to a Performance Management Assessment Committee. This portfolio will contain measurable and verifiable proof that performance occurred at a particular level. Failure to produce appropriate evidence will result in performance claims being called into question as they are not able to be verified.

Each member of the assessment panel scores each indicator individually and a PMS Coordinator collates all the scores and presents a consolidated report which will produce a final rating that is required to be ratified by Council before being accepted.

Based on the final score (out of 200 points), a bonus award may be applicable based on a sliding scale of 5-14% as provided by the Regulations. This bonus (if applicable) is required to be approved by Council and any bonus can only be awarded after the Annual Report is approved by Council and has in this manner been verified and approved by the Auditor General's office. It is a misconception, that if an organization receives a qualified audit report that no bonuses are allowed to be paid. It is noted that the assessment of performance for every 557 Manager will be specifically based on his/her KPA's and CMC's. Based on these results (not the organization), the performance bonus will either be found to be applicable or not.

In this regard it is fair to say that great strides have been made and although the Performance Framework and Policy are to be reworked in order to improve efficiency at both an individual and at an institutional level, progress in applying PMS has been made. Similarly at the organizational level in respect of refined and more aligned SDBIPs (to IDP and National Indicators).

As always improvements are always required as we learn from year to year and experience the practical realities. Of particular emphasis moving forward will be:

- The setting of performance targets;
- Ensuring alignment at every level;
- Following all reporting within the performance cycle;
- Ensuring that municipal backlogs and related infrastructure needs not only meet these services but are sustained ongoing, and are measured and reported on regularly.

If compliance is reached within these areas, performance functioning and reporting will be greatly facilitated and will ensure that Emalahleni Municipality establishes itself as a high performing municipality.

1.6 Annual Performance as per Key Performance Indicators in Municipal Transformation and Organizational Development

Indicator	Total No. of People (planned for) during year under review	Achievement Level during Year Under Review	Achievement Percentage during the Year	Comment on the Gap
1 Vacancy rate for all approved and budgeted posts	70	Low	40%	It has been caused by resignations, deaths and pensions
2 Percentage of appointment in strategic positions (Municipal Manager and S57 Managers)	7	High	100%	All positions were filled
3 Percentage of S57 Managers, including Municipal Managers, who attend at least 1 skills development training course within this financial year	7	High	57.14%	Others were employed towards the end of the programme
4 Percentage of Managers in Technical Services with a professional qualification	3	High	100%	All Technical Managers have a professional qualification
5 Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5-year term	186	High	69.89%	There is a misperception about the Skills Audit that the intent of the employer is to dismiss those who do not possess qualifications
6 Percentage of Councillors who attended skills development training within the current 5-year term	99%	High	58.06%	Most Councillors could not finish attending (there were many drop outs)
7 Percentage of female employees	39%	Low	29.57	The big difference in the gender equality is caused by Technical Services staff, as Technical Services Departments needs most of the manpower
8 Percentage of employees that are aged 35 or younger	20%	Low	14.52%	The highest percentage is caused by the former Black Local Authorities (Veterans)

1.7 Major Challenges and Remedial Actions in regard to Human Resource and Organizational Management

Challenges and remedial action may be summarized as the need for improvements and/or the development of:

- Staff Retention Strategies to address the inability to attract and retain human resources;
- Strategies to address Scarce Skills in critical areas;
- Tighter controls and monitoring of the Budget through better systems and controls and capacitation of staff;
- Policy Development and education of staff to ensure effective application; and
- Effective Performance Management application at both an individual and institutional level.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

1. Office of the Municipal Manager: Strategic Focus and Achievements

The Office of the Municipal Manager is seen to incorporate a number of diverse and strategic posts and functions. Effectively the Municipal Manager is responsible for the following areas of functioning:

- Risk Management and the Internal Audit,
- Legal and Compliance Issues,
- Free Basic Services,
- Financial Viability,
- Strategic Management,
- Technical Services,
- Community Services,
- Corporate Services, and
- IPED functions and responsibilities.

It must be noted that the Strategic Manager's post is in fact housed within the Mayors Office, however the reporting relationship occurs practically to the Municipal Manager and for this reason and due also to its very strategic nature of functioning we have incorporated it and its related functions within this section.

The **Strategic Manager's** post is filled by **Mr. A.M.STEMELA** and this s57 Manager is responsible for Communications, Public Participation, and Special Programmes. Within this office each area of functioning will be discussed in terms of its strategic functioning and the degree to which strategic issues are being met.

It must further be noted that the creation and appointment of the Strategic Manager within the political office and more specifically the office of the Honorable Mayor has resulted in great emphasis being placed on Communications, Public Participation, Special Programmes and continued emphasis on meeting the IDP objectives.

Each area will be examined further in the detail, which follows:

a. Public Participation and Customer Relations

2009/2010 has seen responsibilities towards public relations and improving the levels of communication both internally within the organization, and externally between the municipality and the external stakeholders, occurring more effectively. Accordingly, the following activities were undertaken:

- Mayoral Imbizo's

As part of the Mayoral Outreach programme Mayoral Imbizo's were held in all 16 Wards. In this manner every effort was made to engage the public and the community with the

administrative structures, and to ensure that feedback is received and provided to the public on progress made in respect of the IDP and Budget Implementation, as well as to update communities on government programmes related to service delivery.

Public Participation and consultation has been undertaken at many different levels in an attempt to engage the public, in an attempt to obtain required inputs, and to ensure that they receive the necessary feedback regarding projects and the areas involving IDP projects.

Accordingly Mayoral Imbizo's and public hearings were held, and all issues raised were forwarded to the relevant Standing Committees for attention and later submitted to Council for information and appropriate action.

- Ward Committees

Ward Committees have been established in all 16 Wards and guidelines have been developed on the functioning of ward committees in order to improve meetings operation and functioning. Additionally, the DLGTA has deployed 16 community development workers in all Wards. The current challenge in respect of this is the monitoring and coordination of these Community Development Workers as they report to Province, and communication flow and performance management is made difficult as a result.

- Public Hearings

Public Hearings have been held throughout the year with various sector departments. Emphasis in the current year has revolved around the municipal by-laws.

- Customer Satisfaction Surveys

It is recognized that this area of functioning requires a level of understanding regarding the customers assessment of satisfaction regarding services rendered. Feedback will enable remedial action to be taken. The survey has not achieved the success anticipated and although questionnaires were distributed through Ward Committees, sufficient quantities of these questionnaires were not returned, and this mismanagement prevented an appropriate analysis of data and appropriate feedback in terms of this representative sample.

- Public Participation Framework Policy

The approval of the Public Participation Framework Policy is central to the success of these targets already discussed.

b. IDP, Service Delivery and Budget Implementation Plans and Performance Management

Central to the strategic governance of the organization is the Integrated Development Plan – a 5 year strategic plan which is formulated after assessment of the past, current and future requirements of this municipal area, while taking into account the strategic input, from all roleplayers (internal and external), and administrative needs of the organization so that plans can be undertaken to address these issues as part of a 5-year plan.

This 5-year plan is broken down into annual objectives, and through the development of appropriate Service Delivery and Budget Implementation Plans, and Departmental and Individual Performance Scorecards (performance targets), it is ensured that appropriate and adequate preparation is made to ensure that through budget, administrative support and infrastructure requirements, these IDP objectives will be addressed over time.

The Implementation of the Performance Management System has continued to be applied to the 57 Managers. Certain practical difficulties continued to be experienced in terms of aligning scorecards with national indicators and with methods of performance assessment, and these are issues that will continue to receive focus as we strive to improve and remedy these in subsequent years. System implementation will be rolled out to designated levels with appropriate training and development initiatives and project planning.

In terms of meeting performance requirements it is noted that the management and integration of the IDP occurred as required; the IDP and related budget was approved as per legislative requirements; the SDBIPs were developed so as to ensure that service delivery targets were designated and in this manner to ensure improvements in service delivery. It is also recognized that alignment of the SDBIPs to the national indicators while showing improvement will also need to be continually reworked in order to achieve greater alignments.

The Performance Management System application will ensure that at least two formal assessments will take place annually (2nd and last quarter). Fourth quarter results will dictate whether staff (to whom the system is applicable, in terms of roll-out) will be eligible to achieve a performance bonus in terms of the system itself. First and third quarter reviews would identify performance and personal development needs would be identified and planned to be addressed at some time in the future.

c. Functionality of Governance and Communication Structures

In the previous year it was noted that staff and management meetings did not always occur as required or as scheduled, and in other instances the lack of communication was causing stress between the various parties. This has been an issue in the past and clearly steps have been made to improve communication, but this remains an ongoing target.

As such it is noted that:

- Meetings are occurring more regularly;
- Protocols are being improved, and policies and procedures to this effect have been developed and are being applied;
- Communication between Councillors has been improved;
- Staff are trained and have been workshopped regarding Council policies and procedures;
- Ward Councillors and Party Representative Councillors have been trained in order to ensure that local government is clearly understood;
- SDBIP reporting and functioning is resulting in better communication flow, especially with national indicator alignment;
- The link between the standing committee functioning and Council meetings is resulting in improved efficiency in decision-making (due to improved understanding of issues requiring a jurisdiction);
- All recommendations of all the standing committees are being tabled at Exco; and
- A draft Communication Strategy is available and is awaiting public comment so that it can be finalized.

Notwithstanding the clear improvements in this area, it is noted that ongoing effort is required to address these challenges in the long-term and this is an area that cannot be short-changed.

d. Intergovernmental Relations

Difficulties in meeting attendance remain, regardless of efforts to communicate dates timeously. The IGR forum is designated to provide the vehicle which will be used to promote and improve intergovernmental relations. The challenge of ensuring commitment to this process continues and efforts are underway to engage commitment with the assistance of the Office of the Premier. Only two out of the four planned IGR meetings were able to be convened.

The twinning of the Emalaheni Municipality and Dordrecht Netherlands Municipality continues in a positive light. These working relations culminated in the signing of a Memorandum of Understanding between these 2 municipalities, which was witnessed by the DLGTA. Aimed at building capacity, clear programmes are developed and implemented between these parties annually to ensure that capacity is enhanced.

e. Governance

It is noted that Emalahleni Municipality was able to utilize a shared internal Audit Committee with the assistance of Chris Hani District Municipality and an internal audit function was therefore able to be provided. Great progress has been made to establish an Internal Audit division and an Internal Auditor has been appointed to manage this process.

The development and application of by-laws and policies and legal compliance has long been a challenge but will be managed through the appointment of the Legal and Compliance Officer, who was appointed during this year in a part-time capacity, which in itself was positively achieved and showed immediate results.

f. Sustainable Economic Development

Extensive training provision to all SMME's and cooperative has resulted in the creation of many job opportunities through the use of the Expanded Public Works Programmes and more than 500 jobs were created.

The creation of business forums and support structure such as: Business Chamber, Women's Business Forum and the Local Cooperatives Forum has certainly contributed greatly to ensuring the sustainability of tourism development.

g. Transformation and Institutional Development

The newly established Organogram and its population is central to ensuring institutional development and sustainability.

Accordingly, critical posts have been filled and every effort is underway to instill a culture of performance optimization throughout.

2. Basic Service Delivery Performance Highlights

The Basic Service Delivery Performance Highlights will be examined under the following areas:

- Water Services
- Electricity Services
- Sanitation
- Roads Maintenance
- Waste Management
- Housing and Town Planning
- Spatial Planning
- Indigent Policy Implementation
- Overall Service Delivery Backlogs

2.1 Water Services

a. Water Services Delivery Strategy and Main Role-Players

Emalahleni Municipality is recognized and appointed by the Water Services Authority (Chris Hani District Municipality) as a Water Services Provider. In this capacity it is responsible for supplying water and sanitation to the rural and urban areas and this effectively amounts to delivery to approximately 124 717 residents within the local municipal area.

CHDM has undertaken to engage in the following projects to attempt to alleviate many challenges and issues:

CHDM PROJECT	AMOUNT	PROGRESS
Cacadu Villages	R 2 000 000.00	Construction Phase
Vukani Bulk Services	R 2 000 000.00	Tender Stage
Cluster 1 Backlog	R 2 000 000.00	Tender Stage
Cluster 2 Backlog	R 4 000 000.00	Evaluation

CAPITAL BUDGETS FOR WSP, WATER & SANITATION

PROJECT	AMOUNT
Sewer Blower	R 446 500.00
Honey Sucker	R 500 000.00
Bakkies/Vehicles	R 400 000.00
Buildings	R 400 000.00
Water Carts	R 450 000.00
Dropsider	R 400 000.00
Backactor	R 346 500.00
Office Furniture	R 100 000.00
Computers and Printers	R 100 000.00

b. Levels and Standards in Water Services

In terms of levels of standards of water services it must be noted that Emalahleni faces a number of challenges. Not only is acknowledged that those in the rural areas have low levels of access to water, but in many instances, the water is of a low standard. Currently, water availability in respect of connections is reflected below.

In terms of water connections and availability it is noted that amongst formal residents the following statistics are applicable;

- Urban Areas : 18 769 yard connections have been made in 3 towns
- Rural Areas: 105 948 residents are spread over about 200 villages. RDP standards require that water is made available within 200m for all applicable residents.
- Commercial Farmers 300 residents are currently spread over about 20 farms.

c. Annual Performance as per Key Performance Indicators in Water Services

The table below provides the level of required and actual performance for required indicators within water services during the period under review.

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
1 Percentage of households with access to potable water = 91%	29 652	15 560	1 200	1 200	100%
2 Percentage of indigent households with access to free basic potable water = 100%	5 165	3 465	1 700	1 700	100%
4 Percentage of clinics with access to potable water	No records	No records	No records	No records	No records
5 Percentage of schools with access to potable water	No records	No records	No records	No records	No records
6 Percentage of households	No records	No records	No records	No records	No records

d. Major Challenges in Water Services and Remedial Actions

The Water Services section continues to experience extreme challenges. These are related primarily to severe drought and the deficiencies in electricity provisions from ESKOM (as experienced nationwide).

In an effort to alleviate water shortages within many villages, water tankers were utilized to deliver water.

A Drought Relief Fund was also made available and while this has had some impact by way of relief, it is clear that additional funds will be required to resolve there issue more effectively.

2.2 Electricity Services

a. Electricity Services Delivery Strategy and Main Role-Players

Emalahleni Municipality functions as a main role player in ensuring electricity service provision throughout the Dordrecht and Indwe areas (the licensed area where this service is provided by the municipality).

The Turnkey project is underway and relates to the provision of electricity and electrical services to the consumers within the Eskom area. The application for required funding for the creation of related infrastructure was made to the Department of Minerals and Energy and required electricity will be connected by Eskom. Emalahleni Municipality is required to appoint a service provider and a contractor to complete this job and this will in turn be subject to the approval of Eskom (Phase 9 of the Rural Electricity Cacadu Extension).

b. Level and Standards in Electricity Services

In attempting to meet the required level and standards of Electricity Services an integrated approach is being utilized by both Eskom and internal projects in regard to the electrification of villages. The Turnkey approach has assisted in ensuring that the Eskom delays are resolved timeously and also result in ensuring that progress is made in ensuring that the annual targets are up to date.

c. Annual Performance as per Key Performance Indicators in Electricity Services

The measurement and performance achieved in terms of these indicators is reflected in the table below:

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
1 Percentage of households with access to electricity services	31 197	30 160	20 880	20 880	100%
2 Percentage of indigent households with access to free basic electricity	5 165	4 352	813	813	100%

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
4 Percentage of indigent households with access to free alternative energy sources	10 000	Unknown	10 000	10 000	100%

d. Major Challenges in Electricity Services and Remedial Actions

Major challenges have been experienced as a direct result of Eskom and the required upgrading of the main-lines. Additionally there is a shortfall in funding by the Department of Minerals and Energy. Funding will be required to be adjusted and improved to be in line with project plans for the new financial year.

2.3 Sanitation

a. Sanitation Services Delivery Strategy and the Main Role-Players

Emalahleni Municipality has as its role, the operation and maintenance of these services, as it is the appointed service provider, with CHDM serving as the Water Services Authority.

The following role players are required and operational:

1. Technical Manager who oversees these services
2. Area Manager who functions as Sectional Head, responsible for monitoring and planning
3. Technician (Mechanical)
4. Technician (Water Quality)
5. Customer Care Practitioner
6. Senior Officer Finances
7. WSP Administrator

b. Level and Standard of Sanitation Services

The levels and standards of services within the sanitation branch differ dramatically between the various areas as is evident in the reflection below:

- The towns of Dordrecht, Lady Frere and Indwe enjoy a waterborne system; and
- In villages (VIP toilets), a pit latrine system is used.

Of extreme concern is the level and standard at which the sanitation service is currently provided. A study has been undertaken in order to address the sewer ponds situation for possible spillage in Dordrecht, where a consultant has been appointed to conduct a study for a purification / treatment works, which will address many of these concerns.

c. Annual Performance as per Key Performance Indicators in Sanitation Services

Progress in terms of the key performance indicators for sanitation are indicated and reflected within the table below;

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
1 Percentage of households with access to sanitation services	31 195	22 675	5 400	5 100	100%
2 Percent of indigent households with access to free basic sanitation services	359	Unknown	359	341	94.98%
4 Percentage of clinics with access to sanitation services	No records	No records	No records	No records	No records
5 Percentage of schools with access to sanitation services	No records	No records	No records	No records	No records

d. Major Challenges in Sanitation Services and Remedial Action

A number of challenges and concerns abound and these are reflected as follows:

- There is slow progress in the delivery of Capital Projects and this is due in part to the poor workmanship of the same contractors who are required to ensure delivery on these projects.
- Infrastructure upgrades are required as certain sanitation structures have reached capacity and as such VIP's cannot function effectively.
- The Dordrecht Sewer Ponds require an upgrade as they are currently working beyond their design capacity.

2.4 Roads Maintenance

a. Road Maintenance Service Delivery strategy and Main Role-Players

In order to give effect and direction to roads maintenance, the Emalahleni Municipality is required to identify bad roads through community participation efforts. Issues requiring reporting are then taken to the Department of Roads and Transport for appropriate action (project planning and resources allocation).

b. Level and Standards in the roads Maintenance Service

Approximately 80% of Emalahleni's gravel roads have been bladed, through the implementation of an area wide maintenance programme.

c. Annual Performance as per Key Performance Indicators in Roads Maintenance Services

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
1 Percentage of households without access to gravel or graded roads	30 000	50%	14	15 436	51.4%
2 Percentage of road infrastructure requiring upgrade	90%	100%	14	15 436	54.4%

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
4 Percentage of planned new road infrastructure actually constructed	10%	5%	10		90%
5 Percentage of capital budget reserved for road upgrading and maintenance effectively used	120%	10%	10		90%

d. Major Challenges in Road Maintenance Services and Remedial Actions

Budgetary constraints are a major challenge and it is suggested that in the event of adequate funds, gravel roads should be clustered together with access roads, and the project funding as part of a group effort (with the amalgamation of both roads) should be utilized to purchase maintenance equipment such as graders, rollers, water carts, tipper trucks and excavators. In the absence of this ideal, every effort is made to engage in budgetary and operational planning in order to ensure that these issues are addressed formally over the next few years.

2.5 Waste Management

a. Waste Management Service Delivery Strategy and Main Role-Players

Emalahleni Municipality has a Waste Management Plan which is required to be applied. It was required that 3 unregistered waste disposal sites be rehabilitated and while success was achieved at DDX and Indwe, the site at Lady Frere was declared a non-dumping site (DoEA) and a new site for rehabilitation identified. Main role-players are Emalahleni Municipality, CHDM and Lukhanji Municipality.

2.6 Housing and Town Planning Services Delivery Strategy and Main Role Players

2.6.1 Level of housing and town planning services

The level of town planning services is currently low due to the fact that town planning is not well known by the residents of Emalahleni and the fact that there is no Land Use Management System in the municipality, which results in the town not being easily controlled and managed.

2.6.2 Annual performance as per key performance indicators in housing and in town planning services

As detailed, the low level of town planning and the lack of a Land Use Management System have both impacted negatively in this area and prevent reporting to any great degree.

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achievement during the year
10 % of households living in informal settlements	Unknown	Unknown	Unknown	Unknown	Unknown
Percentage of informal settlements that have been provided with basic services	Unknown	Unknown	Unknown	Unknown	Unknown
Percentage of households informal housing that conforms to the minimum building standards for residential houses	Unknown	Unknown	Unknown	Unknown	Unknown

* No information provided /no information /statistics available

2.6.3 Major challenges in housing and town planning services and remedial actions

The following challenges and opportunities present themselves:

- Most of the existing housing stock within the urban centres are now falling down due to the lack of maintenance;
- Public housing stock and private rented houses are in a state of disrepair due to neglect by non-resident landlords, especially within Lady Frere;
- The informal and formalized informal settlements are characterized with poor conditions;
- Accurate statistics in order to reflecting housing demand and housing options are not freely available;;
- There is inadequate housing to cater for the needs for the youth who are not ready to own houses but in need of secure accommodation;
- The is a lack of affordable housing for the middle-income groups within the area;
- Lack of housing delivery in the rural areas has put pressure on the urban housing demand; and
- The level of houses produced by contractors is not up to standard.

2.7 **Spatial Planning**

The Emalahleni Municipality has in partnership with the Department of Rural Development and Land Reform, initiated the Development of the Rural Spatial Development Framework for the Municipality and this project is funded by the Department of Rural Development and Land Reform. The SDF provides the broad enabling framework. This illustrates a spatial dimension of development needs, opportunities and constraints. This project began in June 2010 and will be completed in November 2010.

2.7.1 Preparation and approval process of SDF

- The original Project Terms of Reference specified a 4-phase approach as follows;
 - **Phase 1: Spatial Interpretation of IDP**
 - Project Team Meeting
 - Prepare Inception Report
 - Data Collection
 - Interpret Municipal IDP
 - Submit Interim Report
 - **Phase 2; Spatial Analysis**
 - Data synthesis
 - Create GIS datasets
 - Interpret spatial data
 - Stakeholder's workshop
 - **Phase 3: Spatial Goals and Development Pattern**
 - SWOT Analysis
 - Formulate vision
 - Develop Goals, Objectives and Strategies
 - Identify key projects/ actions to achieve goals
 - Formulate Draft SDF (Spatial Proposals)
 - Public meetings with communities in three towns
 - Finalize Spatial Proposals based on comments /inputs
 - **Phase 4: Implementation & Programmes**
 - Draft LUMS guidelines
 - Key project identification
 - Implement Plan (Programmes and Assignments)
 - Circulate final Draft SDF for comments to stakeholders
 - Submission of final report and municipal approval

We are now in the third phase of the project where we will receive a draft and engage the community in the public meetings.

2.7.2 Land Use Management (a reflection of statistics)

Rezoning	0
Subdivision	1
Consent Use	0
Removal of Restrictions	0
Township establishment	1

2.7.3 Major Challenges in Spatial Planning Services and Remedial Actions

The following challenges are reflected:

- Ownership : Some residents do not have proof of ownership for their properties;
- There is no compliance with building regulations and the town planning scheme;
- Town centres are congested, especially in Lady Frere;
- Houses are built without proper planning; and
- No land use management system is in place.

The municipality has appointed a service provider to develop land use maps, zoning maps and a zoning register and this project is still in its initial stages. Once we have zoning maps in place we plan to have workshops within our three towns in order to educate the community about town planning as they appear not to be aware of what is permitted and prohibited in towns. The Municipality will also have a land audit project to help with the issues of not knowing who owns which piece of land and in order to have proof of ownership as per sites that exist in this municipality.

Annexure A

Section 46 Performance Report

Attached as a Annexure pages (1 to 21)

The Section 46 Report is required to be attached in order to reflect annual performance as against annual targets within all national indicator parameters. It must be noted that the Annual Report in its totality will reflect alignment to the IDP, SDBIP, Budget and Section 46 reporting.

Annexure B

Strategic Scorecard 2010/2011

Attached as a Annexure (pages 1 to 26)

The strategic scorecard has been attached in order to highlight the strategic plans and targets for the 2010/2011

Annexure C

Service Providers Reports 2010/2011

SERVICE PROVIDERS REPORTS

AWARDED FOR THE PERIOD 01/07/2009 – 30/06/2010

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
ELM/69/2009	DEVELOPMENT OF LED STRATEGIC PLAN	GATEWAY ENTERPRISE	R 350 760.38					
		KEI BUSINESS LINK	R 345 000.00	KEI BUSINESS LINK	100	27/11/2009	95% completed	5% To be tabled for adoption in Nov 2010
		PSKM DEVELOPMENT SOLUTION	R 356 000.00					
		PEMRO COMMUNITY CONSULTANTS	R 256 956.00					
		AFRICAN INSTITUTE FOR COM	R 490 686.00					
		URBAN – ECON DEVELOPMENT	R 149 930.00					
		STRATDEV PLANNING CONSULTING	R 195 300.00					
ELM/02/2009	PURCHASING OF COMPUTERS	ALLIED BUSINESS SOLUTION	R 322 719.00					
		ICT CHOICE	R 307 968.89					
		HLANGULA INVESTMENT	R 261 840.90					
		VUKA UZENZEELE BUSINESS ENT	R 372 500.00					
		IDEA TECHNOLOGIES TRADING	R 304 975.44					
		FINEST TOUCHES TRADING	R 366 621.46					
		MLT ICT CONSULTANTS	R 123 499.87					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		IMVUME TECHONOLGIES	R 276 512.27					
		EMEDIA IT	R 267 022.20					
		SIZWE BUSINESS NETWORK	R 277 496.21	EMEDIA IT	55	11/09/2009	100%/ Delivered	0%
ELM/05/2009	ACCESS CONTROL SYSTEM	ICT CHOICE	R 58 998.11					
		RED GUARD SECURITY	R 48 772.42	RED GUARD	0		100%/ Electronic gate installed	0%
ELM/04/2009	MAIN ROAD FROM INDWE TO MAVUYA LOCATION	VADUBA INVESTMENT	R 5 789 730.54					
		COLMATE CONSTRUCTION JV NDINAKO	R 6 617 700.00					
		KHULA NATHI CONSTRUCTION	R 4 335 153.24					
		ZIMOZA TRADING	R 5 563 570.38					
		QAMANI PLANT HIRE	R 6 576 816.18					
		VINJWA BUILDING JV COLMATE CONSTRUCTION	R 2 981 591.91					
		GS CIVILS JV UP THE HILL	R 5 310 353.92	GS CIVILS JV UP THE HILL	50%	03/12/2009	60% Completed	Now processing base course
ELM/07/2009	MAIN ROAD FROM LADY FRERE TO ZAKHELE LOCATION	PENNY TARTHING ENGINEERING	R 4 038 981.00					
		KHULA NATHI CONSTRUCTION	R 4 409 084.86					
		ODWA AND SOLLY JV STEMELA	R 4 489 061.22					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		LUKHANJI JIMAKA JV	R 4 780 333.20					
		GS CIVILS JV KUYAKHANYA	R 4 809 182.11					
		LUDUMO/NSL CONSTRUCTION JV	R 3 696 069.60					
		EHLATHINI HAVEN CC T/A EEM PLANT	R 4 227 560.18					
		AMADWALA 363 CONSTRUCTION	R 5 046 366.47	LUDUMO JV NSL CONSTRUCTION	100%	03/12/2009	Designs done, tender awarded, contractor appointed, but never started on site	95% Project frozen till 2011/2012 financial year
ELM/08/2009	PURCHASING OF OFFICE FURNITURE	KHASIVE TRADING	R 148 475.00					
		UK AND ZD CONSULTING	R 144 528.10	UK AND ZD CONSULTING		03/12/2009	Delivered	0%
		KWANTU BUSINESS INVESTMENT	R 172 193.00					
ELM/09/2009	PURCHASING OF PHOTOCOPIERS	GESTETNER	R 259 612.00					
		KWANTU BUSINESS INVESTMENT	R 617 100.00	GESTETNER		03/12/2009	Delivered	0%
ELM/15/2009	HIRING OF PLANT FOR MAINTENANCE OF ROADS	VADUBA INVESTMENT						
		MALK AFRIKA TRADING						
		VIP CONSTRUCTION					Not awarded	100% Project put on hold, lack of funds to proceed
		AFRIKA AMAQWATI						

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		BOLITHA PROJECTS						
		NDINAKO TRADING CC						
		ILA CIVILS CONSTRUCTION						
		ANTHANDA ENTERPRISE						
		CHANGING TIDES 1019 CC						
		NTSINE CONSTRUCTION AND PROJECTS						
		SWEET TRADING TIME ICC						
		MELUZI ALFRED JACOB						
		EC AFRIKA TRADING						
ELM/11/2009	PURCHASING OF WATER CART	MARK WILSON MOTORS	R 2 596 000.00				Not awarded	100% Tendered amounts too high
		EURO CAR	R 2 410 416.00					
ELM/12/2009	SUPPLY OF MATERIAL FOR RENOVATION OF SPORTFIELDS	NDINAKO TRADING	R 49 157.05					
		KHASIVE TRADING	R 43 101.58					
		DDDX BUILDERS	R 49 743.00				Re-advertised	100% No funds available
ELM/14/2009	INSTALLATION OF AIRCONS	AMAKEREKERE BUSINESS	R 151 790.00					
ELM/58/2009		SWANS REFRIGERATION	R 125 115.00					
		AMATOLA AIR CONDITIONER	R 151 189.08	SWANS REFRIGERATION	0	27/11/2009	Delivered	0%
ELM/10/2009	CLOCKING SYSTEM	KWEZI RISK SOLUTION	R 132 059.00					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		EMSENGENI CONSTRUCTION	R 173 200.00					
		ILISOLOMZZI TECHNOLOGY	R 145 117.75					
		LINGELETHU	R 256 679.87				Not awarded	100% Tendered amounts too high, to be readvertised in 1011 fin year
ELM/17/2009	IDP REVIEW	GQIBAA LAND SURVEYORS	R 400 000.00					
		GENERATING NEW UNDERSTANDING CC	R 251 500.00					
		UMSO INFORMATION AND COMM TECH	R 372 324.00					
		STRAT DEV PLANNING CONSULTING	R 139 865.60					
		HARD BLACK CUBE	R 189 420.12	STRATDEV PLANNING	85	03/12/2009	Completed	0%
ELM/18/2009	MANAGEMENT OF PLANT FOR CONSTRUCTION RURAL ROADS INDWE	VUKA AFRIKA CONSULTING ENGINEERS	R 1 240 320.00					
		GABA CONSULTING ENGINEERS	R 1 215 000.00				Not awarded	100% Funds not available
		KAMDEKON ENGINEERS	R 1 181 040.00					
		BEACON CONSULTING ENGINEERS	R 1 227 272.73					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
ELM/19/2009	MANAGEMENT OF PLANT FOR CONSTRUCTION RURAL ROADS DORDRECHT	BEACON CONSULTING ENGINEERS	R 1 227 272.73				Not awarded	100% Funds not available
		VUKA AFRIKA CONSULTING ENGINEERS	R 426 360.00					
		CAMDEKON ENGINEERS	R 1 181 040.00					
		VUKA AFRIKA CONSULTING ENGINEERS	R 1 240 320.00					
ELM/23/2009	CIVIL ENGINEERING WORKS IN 700 UNITS OF LADY FRERE	SAGENT CONSULTING ENGINEERS	R 1 263 552.00					
		ILITHA PROJECTS ENGINEERS	R 1 050 016.08					
		KNA CONSULTING	R 960 092.13					
		MASILAKHE CONSULTING	R 1 204 293.60					
		ASEDA CONSULTING	R 975 114.04					
		UMTHATHI CONSULTING	R 945 037.21					
		BEACON CONSULTING	R 945 023.63	BEACON CONSULTING		03/02/2010	Not started	100% The Dept of Housing withdrew the funds and the project could not start

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
ELM/21/2009	PURCHASING OF MUNICIPAL VEHICLE	JACKSONS	R 286 000.00					
		GWM KOKSTAD	R 233 572.54	JACKSSONS	10	03/06/2010	Delivered	0%
ELM/24/2009	CAR RENTAL	VADUBA INVESTMENT CC	R 547.00				Not awarded	100% Re-advertised 90 days expired
		PROTEA CAR RENTAL	R 305.00/R265.					
		ZANDILE BUS SERVICE CC	R 500.00					
		ZAMIKHAYA TRADING CC	R 500.00					
		SUPER TRANSPORT	R 480.00					
		KHUSTA ENTERPRISE	R 610.00					
ELM/26/2009	PURCHASING OF GOLF SHIRT AND CAPS	MAX SPORT AGENCIES	R 77 350.00					
		KHUSTA ENTERPRISE	R 84 337.50					
		LUYATHOKOZA	R 79 625.00	KHUSTA ENTERPRISE	100	09/03/2009	100%/ Delivered	0%
ELM/29/2009	SUPPLY AND DELIVERY OF STATIONERY	BTC	R 28 031.03					
		ANDILE MASEKO	R 39 000.00					
		GESTETNER	R 52 766.45					
		LADY FRERE CC	R 39 945.68					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		DLAMINI PILLAY TRADING	R 39 072.54					
		HLONGWANA DEV PROJECTS CC	R 66 251.15					
		BRAVO AFRIKA	R 63 249.48					
		AYIHLUME BOOKSELLERS	R 32 170.95	BTC	25	03/06/2009	100% Delivered	0%
ELM/31/2009	SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING	GAYLARDS	R 94 950.49					
		BRAVO AFRIKA	R 177 895.86					
		MICA HARDWARE	R 87 565.79	GAYLARDS	10	03/06/2009	100% Delivered	0%
ELM/24/2009	PURCHASING OF SERVER(storage device)	SIZWE AFRIKA IT						
		LINGELETHU CC	R 94 868.00					
		MUSTEK	R 20 027.52					
		DIIMENSION DATA	R 182 156.31					
		SIMO SOLUTIONS	R 88 598.40	SIZWE AFRIKA IT	100	03/06/2009	100% Delivered	0%
ELM/32/2009	ZONING MAPS	UMHLABA CONSULTING GROUP	R 183 815.30					
		GEOLOCATE	R 345 000.00					
		AGES GROUP (PTY) LTD	R 428 000.00					
		SITE DEV PLANNER	R 197 220.00					

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		NPM PLANNING	R 161 880.00	NPM PLANNING		28/07/2009	10%	Initial planning meeting held. To be completed by June 2011
ELM/34/2009	PURCHASING OF REFUSE TRUCK	MARK WILSON	R 1 893 500.00				Not awarded	100% Lack of funds
ELM/35/2009	SITING, DRILLING AND TESTING OF BOREHOLES	KHULANATHI GEO					Not awarded	100% To be re advertised with correct specifications
		SRK CONSULTING						
		WSM LESHKA CONSULTIING						
		AGES						
		GIFT CONSULTING						
		JEFFERES AND GREEN						
ELM/37/2009	SUPPLY AND DELIVERY OF WATER SEWER MATERIALS	ZB TRADING					To be adjudicated	100%
		SEASONS FIND 627 CC						
		EN DYUBHELE						
		VINNIES TRADING CC						
		RETROLEX 59 CC						
		ODWA AND SOLLY TRADING						

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		YEBO SALES WILD COAST CC						
		APS SOUTH AFRICA						
ELM/36/2009	HIRING OF DRINKING WATER TRUCKS	KHULISANI TRADING					To be adjudicated	100%
		NOZUKILE TRADING						
		COUNTER POINT TRADING						
		OONONTSELE DEV PROJECTS						
		KHUSSTA ENTERPRISE						
		NYAMEKO TRADING						
		ASIVE TRADING						
		S.BOOI AND SONS						
		LUMICOL						
		SEASONS FIND 627 CC						
		RAMALO CONSTRUCTION						
		MZILENI CCONSTRUCTION						
		MM SIBHOZO CONSSTRUCTION						
		LUCHULU PROJECTS						
		NON-SOSO CC						
		EN DYUBHELE						

BID NUMBER	PROJECT DESCRIPTION	TENDERERS RECEIVED	TENDER VALUE	TENDER AWARD	HDI %	DATE	SERVICE PROVIDERS PROGRESS	VARIANCE/ COMMENTS/ REASONS FOR VARIANCE
		CHANGING TIDES 1019 CC						
		P.DEVELOPMENT CONCEPTS						
		SNAL CCONSTRUCTION CC						
		NOZUKILE TRADING						
ELM/39/2009	SUPPLY OF MATERIAL AND CONSTRUCTION OF SALES	ODWA AND SOLIE TRADING	R 279 251.50				To be adjudicated	100%
		SEASONS FIND 627 CC	R 458 923.87					
		DMMF BUILDING PROJECTS	R 291 645.00					
		VELA ABU GENERAL TRADING	R 187 693.60					
		KONKE TRADING ENTERPRISE	R 338 424.64					
		TAYITILE CONSTRUCTION CC	R 363 967.80					
		ATTISTIK TRADING CC	R 381 893.16					
		THABA – MATLA TRADING C	R 344 029.20					
		STEMELA SUPPLY AND TRADNG CONSTRUCTION	R 345 145.26					

PROGRESS REPORT ON PROJECTS

Emalahleni Municipality was funded by DPLG through Municipal Infrastructure Grant. Emalahleni was the implementing agent of the projects.

Projects on Implementation

PROJECT NAME	WARD NO.	PROGRESS ON SITE	FUNDER
Qoboshane Bridge	Ward 13	70% done	MIG
Trust Access Road	Ward 3	95% done	MIG
Main Dordrecht to Sinako location	Ward 11	100% done	MIG
Community Hall	Ward 2	95% done	MIG
Community Hall	Ward 9	80% done	MIG
Community Hall	Ward 11	91% done	MIG
Community Hall	Ward 12	100% done	MIG
Construction of Internal Roads in Lady Frere	Ward 4	55%	MIG
Main Road from Indwe to Indwe Resort	Ward 15	30%	MIG
Main road from Indwe to Indwe to Mavuya	Ward 16	20%	MIG
Lady Frere Stormwater management	Ward 4	50%	ELM Equitable share
Lady Frere Parking Bays	Wards 4 & 5	54%	Dot & DPW

Projects on Tender Adjudication

PROJECT NAME	WARD NO.	PROGRESS ON SITE	FUNDER
Rectification of Lady Frere 700 units	Ward 4	0%	Dept. of Housing

CHAPTER 3

MUNICIPAL LED FRAMEWORK IMPLEMENTATION

3.1 LOCAL ECONOMIC DEVELOPMENT

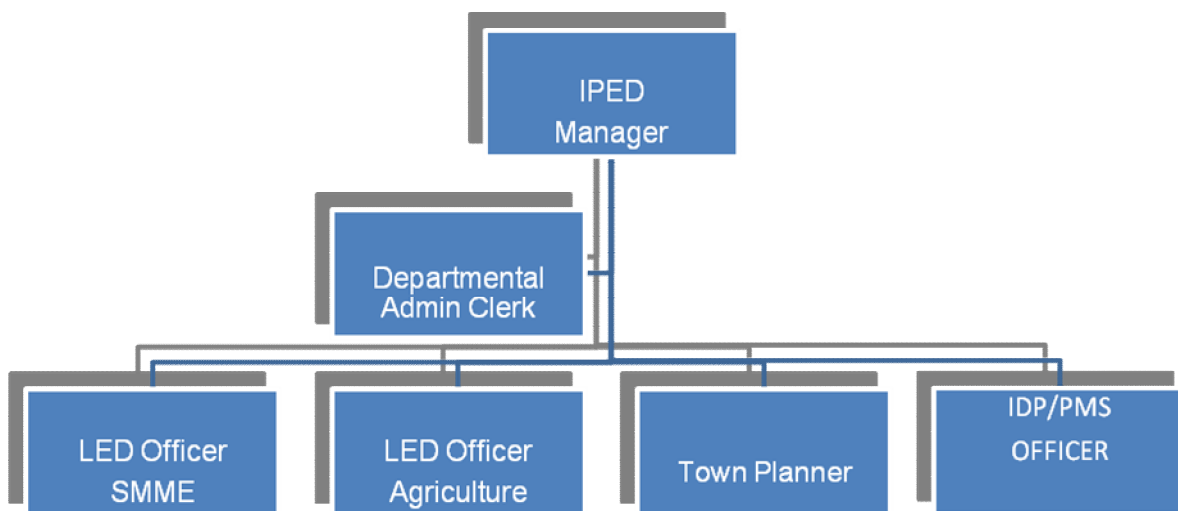
a. Status on developing LED Strategy /Plan

The Local Economic Development Strategy for Emalahleni Municipality is currently in the final stages of its development. According, a draft LED Strategy is in place, stakeholders have commented and provided input on this draft and it has been acknowledged that there are gaps within the strategy that are required to be filled and which primarily have to do with coal mining. These areas are being addressed and a final draft LED Strategy will accompany an implementation plan for presentation to Council. This Strategy and Plan (still in draft), will be presented upon completion.

Formation of the LED Unit

As per the organogram below, it must be noted that the LED Unit falls under the Integrated Planning and Economic Development Department.

LED Unit (as part of the IPED Department)



The Availability of LED Expertise

LED requires specialised skills and as this is a relatively new area within municipalities, it is accepted that there is a shortage of these critical skills within this region. Every effort is underway to attempt to address these shortages and it is recognized that the following specific skills are required:

1. Public Management
2. Facilitation and Communication in LED
3. LED Management Skills
4. SMME's Development
5. Tourism Development
6. Town and Regional Planning
7. Municipal Planning (Development and Review of an Integrated Development Planning)

Coordinated training and development initiatives will be undertaken in an effort to address these issues.

LED Stakeholder Forum Functionality

This structure is currently non-existent and dysfunctional, but efforts are underway to revive and revitalize it. At the present moment, meetings are taking place with sector structures, Business forums, Farmers Associations and individual brick-makers associations in an effort to revive this forum. Once all of these are functioning effectively they will be used to input into the LED Stakeholder Forum.

Funding Opportunities for LED Activities

The following funding opportunities have presented themselves for LED Activities during this period:

1. Department of Tourism: Funding of the construction of Abathembu Callabach for restoration of Abathembu Culture and Tourism Promotion (R12 m)
2. Department of Tourism: funding for the completion of Xonxa Aqua-Culture Project (R1,2m);
3. Sorghum Production Programme funded by Chris Hani District Municipality (R218 000);

4. Department of Rural Development and Land Reform Funded the development of the Spatial Development Framework with an amount of R300 000;
5. Emalahleni Local Municipality funded development of the Local Economic Development Strategy to an amount of R300 000;
6. Emalahleni Local Municipality funded the Livestock Marketing Programme which involved constructing Stock sale Pens in Mgqukhwebe Village in Ward 08 and embarking on a livestock branding program to prevent and alleviate chances of livestock theft.

3.2 Progress Towards Achieving the LED Key Objectives and Strategy

a. Staffing up of LED Unit

Since July 2009 the LED Unit began to take shape, after the appointment of the LED Officer who is responsible for SMME's Development and Tourism promotion.

Additionally, a Town Planner was appointed for all town planning related activities (zoning, subdivision etc.), so that these areas could begin to be addressed.

b. Formalization of Informal businesses and Projects

Emalahleni Local Municipality is currently in the process of assisting small projects to become registered cooperatives through the assistance of Department of Economic Development and Environmental Affairs and Eastern Cape Development Corporation. This process and resultant progress is slow due to delayed responses from projects themselves. This requires a more concerted effort. During such time as we are able to obtain a sizable number of registered businesses for the municipality we intend to facilitate training provision with the Department of Labour in order to empower these businesses.

c. Tourism Development and Promotion

Emalahleni Local Municipality is embarking on a programme of improving and facilitating tourist facilities and these are being developed at Indwe Resort and Dordrecht Kloof Conservancy where they are now in full operation.

Xonxa Acqua-Culture has just been constructed and it is expected to attract tourists for fishing and camping as soon as it is known, through appropriate marketing. Towards the end of October this facility will be officially opened and it is intended to market this facility as a tourist destination.

Western Tembuland Cultural Village is a facility that is still in the process of being completed within this financial year so this facility has not yet been utilized.

Lady Frere Art and Craft Centre is a facility that is still under construction and due to setbacks (relating to the contractor who was appointed by Department of Tourism), this project is not yet complete.

Abathembu Callabach is a project that is a work in progress, and is still at construction phase. This is expected to be completed by March 2011.

Emalahleni Tourism Association is a structure that is not yet in place due to the fact that required structures necessary for the establishment of this association have not yet been formed (e.g. B &B, Caterers Beadwork Structures and the like).

d. Agricultural Development

The Livestock Marketing Programme which was established by Emalahleni Municipality has involved the organization of buyers to buy cattle at reasonable price from our communal farmers. This has been completed in order to avoid a situation where our people are robbed of their stock during auctions.

Four stock sale auctions were held successfully as follows:

1. Swart-Water (Ward 09) was held on the 18/02/2010, and 73 cattle were sold at an average price of R3010.00 per livestock unit.
2. Bengu (Ward 02) was held on 11/03/2010, and 85 cattle were sold at an average price of R2 890.00 per livestock unit.
3. Machubeni (Ward 13) was held on the 29/04/2010, and 45 cattle were sold at an average of R2915.00 per livestock unit.
4. Machubeni (Ward 13) was held on the 20/07/2010, and 100 cattle were sold at an average of R3580.00 per livestock unit.

Sorghum Production : remained successful and 75 hectares were ploughed in Guba Hoek and another 75 hectares were ploughed in Mgwane both produced 1800 bags. The real challenge to the production of this is the related marketing of the sorghum within the whole Emalahleni area of jurisdiction.

All of these economic activities reflect the attempts to alleviate unemployment by replacing this with self-employment.

e. SMME's Development

Emalahleni Business Chamber is in place and it was established with the purpose of creating a platform between the municipality and business operators within the Emalahleni area of jurisdiction. This will be launched very soon and a related memorandum of understanding will be signed.

f. Improved Public and Market Confidence

In an effort to improve public and market confidence the following efforts are underway:

- **Spatial Development Framework/Land Use Management**

At the present moment Emahljeni municipality is busy developing its Spatial Development Framework through assistance from the Department of Rural Development. This process is expected to be completed by the middle of November 2010. The final product of Spatial Development Framework will provide the framework for Land Use Management.

- **Red Tape Reduction: Turn Around time for licensing and other business related application.**

Currently the majority of applications that the municipality is receiving relate to: site applications and sub-divisions. Currently no applications are processed that have to do with site applications until the process of developing SDF, LUMS as well as the Land Audit is completed. All sub-division related applications are being processed as soon as they arrived depending on the nature of application.

- **Investment and Trading By Laws**

By-Laws that deal with trading have been promulgated, however these by-laws have not yet been implemented due in part to the fact that the municipality is currently not having its own law enforcement officers to ensure compliance.

- **Provision and Maintenance of quality and reliable infrastructure: Roads, ITC and Market Places**

1. Roads :

The following roads were constructed during the year under review. Certain of these were fully completed, while others are still under construction. These are listed as follows:

- (a). MacKay's Neck Access road (Gravel Road)- Completed.
- (b) Qoboshane Access Road (Gravel Road) –Under Construction
- (c) Trust Access Road (Gravel Road) –Completed
- (d) Main road from Dordrecht to Mavuya (Tar Road) – Completed

(e) Lady Frere Internal Roads and Storm Water Control Tar Road) – Still Under Construction.

(f) Main Road from Mavuya to Indwe (Tar Road) – Still Under Construction

(g) Main Road From Indwe to Indwe Resort(Tar Road) – Still Under Construction

2. ICT:

Emalahleni Municipality does not have ICT infrastructure in place.

3. Market Places :

In this matter no deliverable exists but there are efforts underway to build hawkers stalls along the new taxi rank to turn this into a mini market place.

- **Disaster Management within the context of creating a conducive environment for economic development (Policy/Framework adoption and Implementation)**

Currently Emalahleni Local Municipality does not have a Disaster Management Policy in place. Accordingly it utilizes a District Management Policy but that policy is silent when it comes to economic development related matters.

- **Exploitation of Comparative and Competitive advantage for industrial activities**

Anything that has to do with comparative and competitive advantage for industrial development is expected to be contained within the LED Strategy, which is at development stage, as already indicated.

- **Intensified Enterprise Support and Business Development**

At present the type of business development services (BDS) Provided to SMME's are as follows:

- Business development services are being provided by Small Enterprise Development Agency (SEDA) and Eastern Cape Development Corporation (ECDC). These offices / centres are at district level but they are accessible to all local SMME's under Chris Hani District Municipal area of jurisdiction.

- **Public and Private Partnership Established**

The partnership in existence is between the municipality and Ibuyambo Sorghum Cooperative. Within this partnership Ibuyambo had partnered with the municipality with the intention of producing sorghum and milling and in turn by establishing a Sorghum Mill. This project is being funded by Thina Sinakho which is an Agency of the European

Union which is housed in Provincial Treasury of the Eastern Cape Government. This work is still in progress.

- **Number of New formal SMME's established within the municipality**

Emalahleni Municipality facilitated the process of assisting informal business to become registered businesses in form of cooperatives. This program started July 2009 and it is an ongoing program, To date only thirteen cooperatives have registered as part of different sectors such as: Multipurpose Cooperative, Agricultural Cooperative, Catering and Sewing, and Bead Manufacturing Cooperatives. Other businesses are still waiting for their certificates because their applications have already been processed, although this remains work in progress.

f. **Number of new employment opportunities through EPWP and PPP are reflected in the table below:**

Employment Opportunities through Extended Public Works Program are as follows:

Project Name	Status of the Project	No. Of People Employed	No. Of Local SMME's Benefitted
Qoboshane Bridge	Work in Progress	16	2
Trust Access Road and Storm Water Control	Project is completed	25	3
Lady Frere Parking Bays & Street Paving	Work in Progress	23	6
Community Hall (Ward 02,09,11 & 12)	One completed, three still under construction	112	4
Tarring of Main Road from Dordrecht Town to Sinakho	Project is completed in January 2010	21	4
Lady Frere Internal roads and storm water control	Work in progress	28	1
Tarring of main road from Indwe to Town to Indwe Resort	Work in progress	16	1
Tarring of main road from Mavuya to Indwe town	Work in progress	15	2

Support in respect of Social Investment Programmes are reflected as follows:

1. Number of Cooperatives : Guba Hoek and Mgwane Cooperatives were supported with an amount of R218 000, to produce sorghum in a land with a size of 75 hectares each. Actual production from this was 1800 bags of sorghum that were produced.
2. Small business association : The support that was provided by the municipality to small businesses was facilitated to ensure that there is a business forum in place. Others will follow in this financial year.
3. Women/ Youth Association : All issues that had to do with these sectors are dealt with by the Strategic Manager within the Office the Mayor.
4. Unemployment Database : This is not yet in place.

Annual Performance as per key performance indicators in LED

Indicator Name	Target set for the year	Achievement level during the year (Absolute figure)	Achievement percentage during the year
Percentage of LED Budget spent on LED related activities	Develop LED Strategy	LED Strategy is about to be adopted by the council	95%
	Assist Sorghum Producers	Sorghum Producers have been assisted with funding of R218 000. 1800 bags of sorghum were produced.	100%
	To establish Business Forum	Business Forum is in place.	50%
	To establish Emalahleni Tourism Association	Tourism Association for Emalahleni is not yet in place	40%
	To formalize brick-making Industry	In this issue progress has been made, there is much that still needs to be done.	5%
	To formalize informal projects to be registered cooperatives	This has not yet been achieved	50%
	To develop Spatial Development Framework	This will be achieved by November 2010	80%
Number of LED Stakeholder Forums held	LED Forum is not in place	Sector Structures like Business Chamber and Farmers Association are in place and they serve as foundations to build LED Forums	30%
Percentage of SMME's that have benefitted from SMME's support program	SMME's are benefitting in municipal funded projects through our Supply Chain Management Policy which provides a framework for support of local SMME's.		60%
Number of Job opportunity created through EPWP	EPWP Most of EPWP projects are the projects that has to do with construction or maintenance of the existing Infrastructure		80%
Number of job opportunities created through PPP	Private Public Partnership initiatives have not yet produced as required but this is still a work in progress		N/A

Challenges regarding LED Strategy implementation

At the present moment no formal challenges have been experienced regarding LED Strategy Implementation as the LED Strategy is not yet finalized so it has not yet been formally implemented.

CHAPTER 4

AUDITED STATEMENTS AND OTHER FINANCIAL INFORMATION

4.1 **Budget and Treasury Department Report**

The Budget and Treasury Department is established in terms of Section 80 of the Municipal Management Finance Act, within the Department of Finance, under the control off the Chief Financial Officer, Ms M Ludick.

Emalahleni Municipality is governed by a Council that continues to provide unwavering support and commitment towards sound financial management and the maintenance of a sound economic base.

4.2 **Mission Statement**

“As the Finance department, we commit ourselves to manage the financial resources of the Emalahleni Municipality in the most efficient, effective and professional manner, in order to provide support to all departments within the municipality in, towards the enhancement of service delivery within these departments. We undertake to implement and uphold all legislation, policies and procedures as prescribed by National Treasury”.

4.3 **Staff Component**

The Budget and Treasury Department during the year under review were staffed as follows:

- X1 CFO: s57
- X1 Budget & Treasury Officer
- X1 Accountant: Expenditure
- X1 Accountant: Revenue
- X1Senior Revenue Officer
- X1 Senior Expenditure Officer
- X3 Debtors Clerks
- X1 Cashier/Natis Clerk :Indwe
- X1 Cashier: Dordrecht
- X1 Cashier/Debtors Clerk Lady Frere
- X1 Cashier/Natis Clerk: Dordrecht
- X1 ICT Officer / practitioner
- X1 SCM Officer
- X1 Purchasing Officer
- X5 Financial Interns

Vacant positions: X3 Meter Readers

Meter Readers are appointed on an occasional basis as the posts remain vacant and the consumers meters read on a monthly basis.

In the Budget & Treasury Department there 24 positions including the s57 contract position of the CFO`s and five positions are allocated for interns). During the year under

review eighteen (21) positions are filled; as follows: One (1) Strategic / Management Position (CFO) is filled, (fifteen (15) operational positions (as indicated above) five (5) positions are filled by interns; 3 operational positions remain vacant. Skilled and experienced staff especially within senior positions remains a challenge. This also has an impact on the operational functioning of the organization, as the organization requires technical capacity and competence in order to provide the required service delivery and sustainable development as highlighted within the IDP.

The Budget and Treasury Department is an area where staff capacity and retention strategies are critically important. Identified and experienced as a critical scarce skill it is noted that staff turnover can be high and the ability to attract suitable staff can be quite a challenge. This is directly influenced by the pay structures of surrounding municipalities that appeared to be far more competitive.

In terms of National Treasury competency structures, all senior managers are required to possess the required competency levels by 2013, To this end formal structures have been put in place in order to empower the staff in this department, and more specifically “on the job” mentorship and training programmes were arranged in order to expose staff to all spheres of the financial functions within this department. This proactive approach would result in a process, which would create a larger pool of required talent and would in this way facilitate the upward mobility (promotions) within this department.

4.3.1 **Internship Programme**

With funding received from National Treasury five (5) interns were employed (1 within the year under review, they are currently undergoing in-service training within the Department: Budget and Treasury Services.

The internship programme was introduced to alleviate the negative impact that skills shortages has had on the recruitment and the subsequent placement of suitably qualified persons. The programme is a process of empowering and capacitating future employable staff. Identified students/graduates from recognised institutions were engaged to work for the Budget & Treasury Department.

The internship programme is regarded as a means to balance the immediate shortages and the long run demand for employees, it is envisaged that both current and future personnel shortages can be minimized as the Municipality intends to absorb some of the already trained candidates.

4.4 **Key Performance Indicators Target s and Focus areas**

The following focus areas have been set, achievable targets as set out below:

- Revenue and Collection / Income Generation 20%
- Expenditure and control: 20%
- Budgeting and IDP: 20%
- Accounting and Reporting: 20%

- Information Technology: 10%
- Asset Management: 10%

These will be examined under each subsection as follows:

- **Revenue Collection/Income Generation**

Within the Revenue Collection/Income Generation division it is required that the processing of monthly consumer accounts and the receipting of all revenue is undertaken of the Towns (Lady Frere, Dordrecht and Indwe) that fall within the jurisdiction of Emalahleni Municipality.

The functions are supervised; co – ordinated and serviced in each of the administrative units of Dordrecht; Lady Frere and Indwe. Meter readers service Indwe and Dordrecht; no meter reading are done in Lady Frere, as meters do exist in Lady Frere only basic service charge is raised for the consumers. Meters Reader are currently being installed in Lady Frere; which will result in revenue enhancement.

- **Expenditure and Control**

This function is situated at the “seat” in Lady Frere and is supported by staff members who are responsible for the payment of creditors, ordering of goods, services and materials, processing the monthly salaries and allowances, compilation and control of budgets, controlling capital and other projects, processing of monthly and quarterly financial reports and the compilation of annual financial records and statements.

The Key Performance Indicators are:

- Monthly reconciliation & payment of all creditors.
- Interventions and strategies/turnaround plan to improve on expenditure (Levels and quality)
- Monthly controlling of purchases.
- Monthly processing of payroll.
- Annual updates & maintenance of Council’s insurance portfolio.
- Monthly updating & maintenance of Council’s investments.
- Updating & implementing financial policies and procedures:
- Supply Chain Management;
- Loans & Contractual Agreements;
- Asset Management & Insurance;
- Cash Management, Banking & Investments.
- Implementation of the Municipal Finance Management Act, No 56 of 2003 requirements relating to Expenditure.

- **Budgeting**

The CFO compiles the Council's operational and capital budget. It is also her responsibility to provide the necessary inputs during the annual review of Council's Integrated Development Plan (IDP). The Budget & Treasury (Finance) department is also responsible for the determination of tariffs and maintaining a cash budget.

Actual expenditure is monitored to date monthly against Council's approved budget and reports are submitted monthly to all other departments informing them of their expenditure to date.

The Key Performance Indicators are:

- Compile & publish budget time schedule
- Establish & publish committees & consultation forums.
- Outreach programme established for all wards.
- Review & prepare:
 - Integrated Development Plan (IDP);
 - Service Delivery Agreements;
 - Delegations;
 - Budget Related Policies;
 - Operational & Capital Budget
- Determine Rates & Tariffs.
- Consult with established committees & forums
- Table budget & supporting documents.
- Approve budget & supporting documents
- Budget & Supporting documents submitted to:
 - National Treasury;
 - Provincial Treasury;
 - Publishing of the budget
- Service Delivery & Budget Implementation Plan (SDBIP) (departmental)

- **Accounting and Reporting**

- Daily & monthly updating of accounting records.
- MFMA required reporting to:
 - National Treasury;
 - Provincial Treasury;
 - Accounting Officer;
 - Executive Committee;
 - Municipal Council
- Monthly reconciliation of supporting registers:
 - Funds;
 - Loans;

- Assets;
- Banks;
- Investments;
- Debtors;
- Creditors; and
- Income & Expenditure.
- Compilation of annual financial statements.
- Compilation of annual report for Department: Budget & Treasury Service.
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Accounting and Reporting.

Information Technology

Although not yet fully functional, this function is located in Lady Frere. All computer hard and software used at the three administrative units are supported and maintained at this point.

The Key Performance Indicators are:

- Maintain & upgrade of computer hard and software
- Secure computer hard and software services.
- Training for all staff in utilizing IT systems effectively.
- Development of Information Technology policies.
- Daily & monthly processing of records when required by other departments.
- Developed & maintained municipal Website.

Assets

The municipality performed asset verification and the itemizing all infrastructure as at 30 June 2010.

The assets register is GRAP compliant (within the allowable allowances).

The Key Performance Indicators are:

- Recording & Marking (bar-coding) of all assets.
- Updating & maintaining a comprehensive assets register
- Compiling, updating & maintaining of inventories.
- Revaluing of fixed assets.

5. The Budget

Steps were taken to ensure that the requirements of the Municipal Finance Management Act, No 56 of 2003, especially Chapter 4 (section 15 to 33), as well as any MFMA Circulars from National Treasury, were met.

During October to November 2009 the Budget Steering committee, with assistance from ward Councillors and ward committees engaged into an outreach program to assess the needs of the community in all 16 wards. All needs recorded were later prioritized and included in council's Integrated Development Plan.

The budget technical committee has in the addressed various issues required by the Municipal Finance Management Act:

- Reviewing the IDP objectives and strategies;
- Reviewing the Organisational structure;
- Reviewing the Delegation framework;
- Reviewing the 2009 / 2010 Service Delivery and Budget Implementation Plan (SDBIP);
- Reviewing existing and considering new Service Delivery Agreements;
- Considering the establishment of Entities;
- Reviewing existing and compiling new Budget-related policies;
- Considering the Macro and micro economic climate and budget guidelines, requirements and growth parameters;
- Planning the implementation of GFS classifications;
- Considered proposed tariff increases;
- Compile a draft operational and capital budget;
- Prioritise community needs in the IDP.

During January 2010 the draft budget and supporting documents were tabled to the budget committee for consideration, discussion and approval.

Budget Process Overview

The MFMA Circulars 10, 13, 14, 19, 27, 28 and 41 issued by the National Treasury was used as a guidance mechanism during the 2009/10 budget processes. From this council has developed an IDP (Integrated Development Plan) and Budget policy.

The Schedule of Key Deadlines issued by National Treasury was also used as guideline for council to develop its own Schedule of Key Deadlines, which takes effect once council has approved it during August. A summarized version thereof is then advertised in the in locally circulated newspapers and on municipal notice boards. Interest groups and stakeholders are annually invited to register and from part of council's Local Budget Consultation Forum. Council's IDP and Budget policy provides guidelines as to how this forum and the Sector Budget Consultation Forum should be established. Amongst others, has council ensured that at least two members of each of its sixteen ward committees are represented on the Local Budget Consultation Forum. All relevant national and provincial departments, as well as the district municipality – Chris Hani District municipality – forms part of the Sector Budget Consultation Forum. Council meets at least two times during the budget process and once after the draft budget has being tabled with these forums.

The Budget Steering committee, with the involvement of the ward councillors and ward committees, annually engage itself in an Outreach Programme during which community meetings are held in all sixteen wards. This where the community uses their opportunity to inform council of their needs. All needs / problems discussed, whether local, district, provincial or national are recorded, prioritized and summarized in a report for follow-up or inclusion into council's IDP. Non-local issues (national, provincial and district) raised are discussed at the Sector Budget Consultation Forum, whilst local issues are prioritized by the Local Budget Consultation Forum for inclusion in council's IDP.

Once the draft budget is tabled by the Mayor in March, the budget and required supporting documents are made available for representation and / or comments. It can either be viewed in hard copy at one of council's administrative units. The tabling and invitation to submit representation / comments are also advertised in locally circulated newspapers and on municipal notice boards.

The Budget committee keeps record and deals with all representations and comments received. Any adjustments resulting there from are done before the budget is submitted for approval towards the end of May.

6. Integrated Development Plan (IDP) – 2009/ 2010

Review Process

Outreach programme to all wards by the council of Emalahleni Municipality during the months of October and November 2009 to identify new priorities.

Local Consultation Forum meetings were held at Lady Frere Administrative Unit, Dordrecht Administrative unit and at Indwe Administrative unit.

Review of the IDP strategic objectives and strategies by the Budget Steering Committee in December 2008.

Determination of projects to meet objectives and strategies.

Alignment with the CHDM District Municipality and Sector Departments in February 2010

Public participation in February 2010.

IDP and Budget published for comment (April 2010).

Consultation with Sector Departments (February / March 2010).

Revise IDP and Budget if necessary (April 2010)

Public hearings and Council Debate on IDP and Budget (May 2010)

Amendments to IDP and Budget.

Final approval end June 2010.

IDP Document submitted to MEC of Department of Provincial and Local Government for comment.

A SDBIP plan was put into place and taken to Council. The SDBIP in 2009/2010 had been a challenging period in respect of the SDBIP structure, however great improvements have been made during the year under review in the formulation of the SDBIP. Unlike in 2008/2009 financial year. Efforts have been made to align these to the national indicators. Notwithstanding these improvements it is recognized that goals and targets need to be reformulated in certain instances so as to improve measurability, standards and control measures.

It is also recognized that reporting relationships and methods of reporting were required to be improve so that adequate measurement, assessment and remedial action could be taken.

Noted: the Auditor General has raised concerns within the previous financial year 2008/2009, that no evidence could be provided to verify that deadlines dates /key schedules have been achieved. Subsequently and in response to this it is noted that progress has been made and is on-going in an effort to eradicate identified deficiencies. An Audit Action Plan has been developed in response to the Auditor General's Report and detail and commitment has been provided to facilitate the achievement of required actions and goals. In the short term progress has been made in that an internal auditor has been appointed and an audit committee has been established (having a shared audit committee function with Lukhanji and Sakhisizwe Municipality). Additionally a Legal and Compliance Manager was appointed during August 2010 in order to ensure conformity with matters of compliance.

4.5 OVERVIEW OF FINANCIAL PERFORMANCE

The period being assessed is for the year 1 July 2009 to 30 June 2010

EMALAHLENI MUNICIPALITY				
APPENDIX E1				
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)				
FOR THE YEAR ENDED 30 JUNE 2010				
	Actual 2010	Budget 2010	Variance	Variance %
	R	R	R	
REVENUE				
Property Rates	3 065 433	4 300 000	(1 234 567)	-29%
Service charges	5 686 358	5 682 000	4 358	0%
Rental of facilities and equipment	431 047	443 000	(11 953)	-3%
Interest received - outstanding receivables	365 013	573 000	(207 987)	-36%
Interest received - external investments	2 386 558	2 340 000	46 558	2%
Government grants	72 935 857	71 865 322	599 251	1%
Other income	5 431 296	3 893 097	489 656	13%
Total Income	90 301 562	89 096 419	(282 261)	0%
EXPENDITURE				
Employee related costs	31 940 34	25 925 142	(22 731 108)	-88%
Remuneration of Councillors	5933 633	6 051 000	(117 367)	-2%
Debt impairment	12 360 140	2 999 851	9 360 289	312%
Depreciation		378 770	(378 770)	-100%
Finance costs	46 784	70 000	(23 216)	-33%
Repairs and maintenance	1 350 913	3 678 000	(2 327 087)	-63%
Bulk purchases	5 062 196	5 620 000	(557 804)	-10%
Operating grant expenditure	3 842 953	25 466 765	(21 623 812)	-85%
General expenses	9408105	25 563 194	(16 155 089)	-63%
Total Expenditure	41 198 758	95 752 722	(54 553 964)	-57%
NET SURPLUS/ (DEFICIT) FOR THE YEAR	49 102 804	(6 656 303)	55 759 107	-838%

Table 1: Performance Summary

Financial		Cash Management	
Operating surplus for the period	R 49 102 804	Cash Flow	R 9 335 561,00
Debtors collection ratio 23 %		Total value of investments	R25 896 531
YTD all grants and subsidies	R 72 935 857		
Overall Operating results		Surplus/(Deficit) per Service	
Income	R 90 301 562	Refuse	(R 258 620)
Expenditure	R 41 198 758	Electricity	(R950 431)
Surplus	R 49 102 804		
Debtors		Capital Expenditure 09/10	
Total debtors book	R 30 658 322	Capital Expenditure as a % of total allocated budget	136%
		Human Resources	
		Salary bill - Councillors	R 5933 633
		Salary bill - Officials	R18 714 214 00
		Workforce costs as a % of income	21%

Comments on the Overall Performance

- The overall operating results as at 30 June 2010 indicate an estimated surplus of R49 102 804 (before capital expenditure of R30 923 367.00)
- The debtors collection ratio for the period ending 30 June 2010 is 23%
- Actual personnel costs expressed, as a percentage of actual operating income for the period is 21%.
- The total staff complement is 134. There were 28 new appointments made and 14 terminations.
- As at 30 June 2010 the cash flow of the municipality reflects an amount R9 335 561.00 million and the Investments register R 2 5 896 531.00.
- Total debtors outstanding as at 30 June 2010 amounts to R 30 658 322.00
- The total accumulative amount borrowed by Council as at 30 June 2010 amounts to R199 442.00

4.6 STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2010

The Statement of Financial Performance is presented on the **accrual basis**, which identifies budgeted expenditure to actual expenditure and the corresponding surplus/deficit for the period.

Table 2: Statement of Financial Performance for the period ended 30 June 2010

	2009/2010 Annual Budget	2009/2010 YTD Actual Inc/Exp	YTD Variance %
Income	R	R	%
Equitable share	40 449 000	42 105 211	104,09%
Assessment Rates	4 300 000	3 065 433	28,71%
Service charges	5 682 000	5 686 358	1%
Grants and Subsidies	31 416 322	30 830 646	1,86%
Interest on Investments	2 340 000	2 386 558	101,98%
Interest on Debtors	573 000	3 65 013	36,29%
Other Income	4 336 097	5 431 296	125,25%
Total Operating Income			
	89 096 419	90 301 562	
Expenditure			
Salaries, Wages & Allowances	31 976 142	9 127 667	71,45%
Repairs & Maintenance	3 678 000	1 350 913	36,7%
Provision for Bad Debts	2 999 851	12 360 140	412%
Interest Paid	70 000	46 784	66,8%
Electricity Bulk Purchases	5 620 000	5 062 196	90%
Grants and Subsidies	25 466 765	3 842 953	15,09%
General Expenses	25 941 964	9 408 105	36,26%
Total Operating Expenditure			
	95 752 722	41 198 758	
Operating Surplus			
	(6 656 303)	49 102 804	

Notes to the Statement of Financial Performance 30 June 2010

Note 1: Grants

Grant Income received for the period ending 30 June 2010 includes equitable share grant allocation of R 42 105 211.00

Unspent conditional grants and receipts

These amounts are invested in a ring-fenced investment until utilised.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are experienced over the forthcoming 3 financial years.

Note 2: Electricity

Electricity Service	2009/2010 Annual Budget	2009/2010 YTD Actual Inc/Exp R	YTD Variance %
Billing Income	3 259 908	3 306 727	101,43%
Equitable Share Other Income	1 656 639 133 303	3 306 727 439 520	99,60% 229,71%
Expenditure	8 976 611	6 393 353	71,22%
Surplus / (Deficit)	(3 926 761)	(990 467)	- 74,77%

Electricity reflects a deficit of (R 990 467.00). The electricity services should be a profitable service to enable the municipality to fund other services. 95% of electricity income derives from prepaid meters. Tampering with meters and theft of electricity is a big concern to the municipality.

Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS 30 June 2010						
EXTERNAL LOANS	EFFECTIVE RATE	REDEEMABLE DATE	BALANCE AT 30 JUNE 2009	RECEIVED DURING THE PERIOD	REDEEMED / WRITTEN OFF DURING THE PERIOD	BALANCE AT 30/06/10
			R	R	R	R
LEASE LIABILITY						
Finance lease - Stannic	19%	31 March 2012	274 311	-	74 869	199 442
TOTAL EXTERNAL LOANS			274 311	-	74 869	199 442

Investments and Cash

Dividend Revenue

	2010	2009
Unit Trusts	-	9830
Interest Revenue	-	3 851 690
Unit Trusts	2 386 558	58 003
	2 386 558	3 909 693
	-	9 830
	2 386 558	3 909 693
	2 386 558	3 919 523

32 – Day Call account – Expiry Date 1 August 2010

Monetary Value: R25 Million

Investments and cash

Council's primary bank account is held at Standard Bank. The existing signatories on all bank and investment accounts are:

- NJ Kwepile Municipal Manager
- M Ludick Chief Financial Officer

It is a requirement that any two of the above-mentioned signatories authorize any payment or transfer from any of Council's bank or investment accounts.

The municipality has the following bank accounts:

Standard Bank (Acc No 082 665 958)

Current Account	2009	2010
Cash book at end of the year	R 10 986 066	R 13 778 803
Bank statement at the end of the year	R10 986 066	R13 778 803

Standard Bank (Ac No 082 630 631)

Current Account	2009	2010
Cash book at end of the year	R 527 957	R170 618
Bank statement at the end of the year	R 13 43705	R 946 813

First National Bank (Ac No 620 4898 6428)

Current Account	2009	2010
Cash book at end of the year	R119 928	R529 311
Bank statement at the end of the year	R 119 928	R529 311

Valuations

Valuations on land and buildings have been completed and are performed every four years.

The new general valuation was implemented on 1 July 2009.

Indigent Policy and Free Basic Service Delivery Measurement

Number of households affected is reflected in the table below across the municipality

BASIC SERVICE DELIVERY MEASUREMENT										
Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Household service targets (000)	1									
Water:										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)				5	5	5	5	5	5	6
Using public tap (at least min.service level)	2			5	5	5	5	5	6	6
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	10	10	10	10	10	11	12
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	10	10	10	10	10	11	12
Sanitation/sewerage:										
Flush toilet (connected to sewerage)				6	6	6	6	7	7	8
Flush toilet (with septic tank)										
Chemical toilet				1	1	1	1	1	1	1
Pit toilet (ventilated)				6	6	6	6	6	7	7
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	13	13	13	13	14	15	16
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	13	13	13	13	14	15	16

Cont.

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Energy:										
Electricity (at least min.service level)				1	1	1	1	1	2	2
Electricity - prepaid (min.service level)				8	8	8	10	12	14	17
<i>Minimum Service Level and Above sub-total</i>		-	-	9	9	9	11	13	15	18
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	9	9	9	11	13	15	18
Refuse:										
Removed at least once a week										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week				6	6	6	6	7	7	8
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		-	-	6	6	6	6	7	7	8
Total number of households	5	-	-	6	6	6	6	7	7	8
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)				8	8	8	8	8	9	10
Sanitation (free minimum level service)				6	6	6	6	7	7	8
Electricity/other energy (50kwh per household per month)				8	8	8	8	10	12	14
Refuse (removed at least once a week)				6	6	6	6	7	7	8

Cont.

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)				152	160	160	160	169	180	191
Sanitation (free sanitation service)				341	359	359	359	404	454	504
Electricity/other energy (50kwh per household per month)				200	230	230	230	264	318	381
Refuse (removed once a week)				311	327	327	327	365	410	458
Total cost of FBS provided (minimum social package)		-	-	1004	1076	1076	1076	1202	1361	1534
Highest level of free service provided										
Property rates (R'000 value threshold)				15 000	15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)				6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)				53	56	56	56	59	63	67
Electricity (kwh per household per month)				50	50	50	50	50	50	50
Refuse (average litres per week)										

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)				375	394	394	394	417	442	469
Property rates (other exemptions, reductions and rebates)										
Water				152	160	160	160	169	180	191
Sanitation				341	359	359	359	404	454	504
Electricity/other energy				200	230	230	230	264	318	381
Refuse				311	327	327	327	365	410	458
Municipal Housing - rental rebates	6									
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)		-	-	1379	1469	1469	1469	1620	1803	2002

References

1. Include services provided by another entity; e.g. Eskom
2. Stand distance <= 200m from dwelling
3. Stand distance > 200m from dwelling
4. Borehole, spring, rain-water tank etc.
5. Must agree to total number of households in municipal area
6. Include value of subsidy provided by municipality above provincial subsidy level
7. Show number of households receiving at least these levels of services completely free
8. Must reflect the cost to the municipality of providing the Free Basic Service
9. Reflect the cost to the municipality in terms of 'revenue foregone' of providing free services (note this will not equal 'Revenue Foregone' on SA1)

The total Indigent subsidy received: R 7 412 648.66 made up as follows:

- o Sanitation R2 506 161.83
- o Refuse R2 003 269.52
- o Water R1 629 019.39
- o Electricity R21 030.05
- o Rates R1 125 809.03
- o Other debtors: R127 358.74

Note 3: Salaries Wages and Allowances

Salaries, Wages and Allowances including Councillors remuneration reflects an under expenditure of R8 404 322

Staff Salaries and Benefits

<u>Staff Salaries and Benefits</u>	2009/2010 Annual Budget R	2009/2010 YTD Expenditure R	2009/2010 Variance R	2009/2010 Variance %
Employee Related Costs	25 925 142	18 714 214 00		
Remuneration to Councillors	6 051 000	5933 633		
-				
Total	31 976 142	24 647 847	7 32 8295	70,02%

Note 5: Operating Expenditure per GFS function

<u>Expenditure</u>	2009/2010 Annual Budget R	2009/2010 YTD Inc\Exp R	2009/2010 Variance R	2009/2010 % of the YTD budget
Executive and Council	14 947 424	(5 167 310)	20 114 734	134.57%
Finance and admin	22 066 528	25 751 537	-3 685 009	16.70%
IPED	6 715 512	5 417 172	1 298 340	19.33%
Community Services	5 700 621	1 375 279	4 325 342	75.87%
Sportfields	624 287	283 185	341 102	54.64%
Waste Management	2 732 001	2864 166	-132 165	4.84%
Roads Transport	7 076 841	3 459 195	3 617 646	51.12%
Electricity	7 969 812	6 393 353	1 576 459	19.78%
Housing	843 211	822 181	21 030	2.49%
TOTAL	68 676 237	41 198 758	27 477 479	

Note: The table above indicates the comparative of the projected and the actual (R 5 167 310) adjustment on post retirement benefits

5. CAPITAL EXPENDITURE

Total Capital Expenditure as at 30 June 2010 amounts to R30 923 367 million, which exceeds the capital budget by R8 497 656.00, due to MIG project funding brought forward from the 2010/2011 MIG allocation.

Table 4 identifies the actual Capital Expenditure per Directorate against budget.

Table 4: Actual Expenditure per Directorate against Budget

DEPARTMENTS	Annual Budget	YTD Expenditure
Corporate Services Finance		
Vote: Finance & Admin	4 051 501	1 501 897
Vote: Finance & Admin (Other)		
TOTAL		
(IPED) Planning & Development		
Vote: Planning & Development		
Vote: Housing		
TOTAL		
Community & Social Services		
Vote: Finance & Admin (Other)	1 682 103	523 136
Vote: Parks, Public Open spaces		27 083
Vote: Cemetery		
Vote: Tourism		
Vote: Waste Management	400 000	66 914
TOTAL		
Engineering Services		
Vote: Road Transport	16 292 107	28 804 337
Vote: Electricity		
Vote: Water Services		
TOTAL	22 425 711	30 923 367
Total by Function		

The year to date expenditure per funding source is reflected in table 5 below.

Table 5: Capital Expenditure per Funding Source

Per Funding Source	Annual Budget	YTD Expenditure
Own Contribution	4 898 022	2 199 428
Grants and Subsidies	17 527 689	28 723 939
TOTAL	22 425 711	30 923 367

Consumer Debtors/Age Analysis

The current revenue collection is pitched at 23%

The outstanding consumer debtors have increased from R30 638 989 (08/09) to R30 658 322 (09/10) and National and Provincial government debtors have increased from R90 862 (08/09) to R118 230 (09/10)

Amount receivable from consumer debtors relating to water and sanitation have been reallocated to the agency account. As a result of the above, the prior year's amounts have been restated.

Days:	0 - 30 Amount	31 - 60 Amount	61 - 90 Amount	91 - 120 Amount	121 - 150 Amount	151 - 180 Amount	181 - 365 Amount	>365 Amount	Total Amount
Debtors excluding water and sanitation									
Debtors by Income Source									
Electricity	13 520.25	16 162.75	18 373.55	41 254.25	11 123.85	10 060.19	105 481.08	1 034 340.27	1 250 316.19
Rates	210 270.40	219 274.42	220 357.65	216 334.55	200 745.03	200 962.48	1 142 376.28	7 637 556.45	10 047 877.26
Refuse	186 930.94	183 532.45	182 594.72	180 286.66	180 793.00	177 250.74	1 128 925.23	12 888 134.45	15 108 448.19
Other	7 087.32	7 179.97	7 174.77	1 519.72	1 522.52	1 521.67	9 655.11	4 216 020.62	4 251 681.70
Total	417 808.91	426 149.59	428 500.69	439 395.18	394 184.40	389 795.08	2 386 437.70	25 776 051.79	30 658 323.34
All Debtors									
Debtors by Customer Classification									
Government	35 266.50	37 234.15	43 429.15	42 033.90	21 763.05	26 863.90	168 233.30	2 183 554.26	2 558 378.21
Business	91 502.90	88 592.44	82 971.90	80 187.30	81 138.13	79 011.37	476 434.07	1 335 627.54	2 315 465.65
Households	674 940.22	674 405.05	667 772.07	688 984.46	648 696.60	653 275.64	4 033 260.23	47 041 483.73	55 082 818.00
Other	13 219.72	14 658.02	14 652.17	14 445.87	14 654.47	14 482.92	81 797.99	274 326.81	442 237.97
Total	814 929.34	814 889.66	808 825.29	825 651.53	766 252.25	773 633.83	4 759 725.59	50 834 992.34	60 398 899.83

Nb. Debtors by Customer classification includes water and sanitation.

Emalahleni Municipality

As extracted from the Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement *

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Grants		72 935 857 2	49 175 066
		751 571	
Interest income		2 386 558	3 909 693
Dividends received		-	9 830
Other receipts		11 684 957	3 944 009
		87 372 385	57 038 598
Payments			
Employee costs		(9 127 667)	(21 600 647)
Finance costs		(46 784)	(1 476 576)
Other payments		(56 535 259)	(16 279 292)
		(65 709 710)	(39 356 515)
Total receipts		87 372 385 544	57 038 598
		774	
Total payments	35	(65 709 710)	(39 415 247)
Net cash flows from operating activities		21 662 675	17 623 351
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(30 923 367)	(10 411 630)
Non-cash movement – asset adjustments	4	=	45 145
Purchase of other intangible assets	5	=	(250 000)
		(30 923 367)	(10 616 485)
Cash flows from financing activities			
Movement in loans to managers & employees		=	(84 849)
Finance lease payments		(74 869)	(83 710)
Net cash flows from financing activities		(74 869)	(168 559)
Net increase/(decrease) in cash and cash equivalents			
		(9 335 561)	6 838 307
Cash and cash equivalents at the beginning of the year		49 717 643	42 879 336
Cash and cash equivalents at the end of the year	14	40 382 082	49 717 643

2009 / 10 Financial Statements

The Annual Financial Statements for the period ended 30 June 2009 was compiled and submitted to the Municipal Manager on 31 August 2010, the statements were presented to, discussed and approved by the municipal council of Emalahleni Municipality.

A copy of these statements is attached hereto as a **separate Annexure with Appendices;**

Annexure D –(Pages 1 to 60 and Appendices A, B, C, D, E1, and F as attached and included in the Annual Report).

Trade and other Receivables

An amount of R 30 658 322.00 was due to council as at 30 June 2010. This is an increase of R 110 195.00 from the previous year. **This figure does not include includes water and sanitation.**

Other receivables	2009	2010
Trade Debtors	R30 548 127	R 30 658 322
Provision for Bad Debts	R 22 200 315	R27 068 494
Recoverable Fruitless and Wasteful Expenditure	R 46 900 (note 44)	-
Other Receivables	R 27 945 498	R 30 447 298

CONCLUDING REMARKS

In concluding, it must be acknowledged that whilst a disclaimer audit opinion was obtained during the year under review (included in chapter 4 of the Annual Report), which is highly regrettable, it is of some comfort to acknowledge that the issues raised and highlighted above can and will, be resolved and remedied within the next financial year.

Formal commitment is provided to addressing these issues as a top priority and to prevent reoccurrences. An Audit Action Plan has been developed, which will be used to ensure that all issues are addressed in a coordinated manner. However the content of this plan is required to be addressed through discussions between the Auditor-General, the Municipality and the shared internal auditor.

CONCLUSION

The 2009/2010-year has yet again provided the Budget & Treasury department many challenges. Challenges are regarded as opportunities for growth and development, without which Emalahleni Municipality would not be able to meet the communities' needs and be given the opportunity to develop.

- Implementation of the Municipal Finance Management Act (MFMA) and its implementation has placed many requirements on the municipality. This has resulted in management, senior staff and all the Council Committee members being trained in terms of the requirements of the Act (Training is ongoing and implemented).

- Early implementation of GRAP
- Budget has been prepared in the required GRAP format
- Training has been undertaken in respect of the challenges of the MFMA and new Supply Chain Management regulations, Performance Management and, IT.
- The Chief Financial Officer has functionalized the Budget & Treasury Department and has established functional divisions within the department i.e. SCM division; IT division, Budget Division
- The IDP (Integrated Development Plan) has been reviewed and the SDBIP's (Service Delivery Budget and Implementation Plans) have been developed. The development and population (development of targets and alignment to IDP/Budget) and SDBIP reporting remains a challenge. SDBIP's reports were prepared regarding progress in defined areas; however the reporting was not managed and assessed in a co-ordinated manner as required, quarterly against targets. This will be addressed so as to assist in managing performance within the organization.
- Infrastructure development has been a constant challenge from a **financial and resource point of view** but we remain focused, and development has occurred in many areas.
- **Our biggest challenge relates to the disclaimer audit opinion** received during the 2008/2009 and 2009/2010 financial years. Based on the emphasis of matter (contained within this report), concerns and administrative and financial weaknesses were highlighted and are urgently required to be addressed. An Audit Action Plan, which will be used to ensure that all issues are addressed in a coordinated manner. However the content of this plan is required to be addressed through discussions between the Auditor-General, the Municipality and the shared internal audit function.

In conclusion, I wish to place on record my sincere thanks and appreciation to all the support staff in the Finance Department that have contributed and assisted this department in achieving our goals and objectives during 2009/2010.

- To the Municipal Manager and other Heads of Department, your support, encouragement and co-operation contributed to the successful results this department is able to table.
- To the honorable Mayor, Ms N Lali and councillors for their ongoing support and guidance, on behalf of the Finance Department, herewith the annual report for the period ended 30 June 2010 of the Budget & Treasury Department of Emalahleni Municipality.

M LUDICK
CHIEF FINANCIAL OFFICER

ANNEXURE D:

ANNUAL FINANCIAL STATEMENTS plus APPENDICES

(Attached as a separate annexure, page numbers will not run concurrently)

page numbers of attached annexure 1 to 60

Appendices A, B, C, D, E1 and F

ANNEXURE E:

AUDITORS-GENERAL'S REPORT

(Cover letter and Audit Report)

(Attached as a Separate Annexure, Page numbers will not run concurrently)

page numbers of attached annexure

Cover letter pages 1 to 2 and Audit Report pages 3 to 11

ANNEXURE F:

RESPONSE TO THE AUDITOR GENERAL'S REPORT

EMALAHLENI MUNICIPALITY: RESPONSE TO THE AUDITOR GENERAL'S REPORT 2009 - 2010

Reflected within this report is Emalahleni Municipality's Response to the Auditor General's Report on the Consolidated Financial Statements for the year ended 30 June 2010.

Purpose

In terms of the Public Audit Act No. 25 of 2004 and s121 (3)(g) of the Municipal Finance Management Act, Act No. 56 of 2003, it is required that the particulars of any corrective action taken or to be taken in response to issues raised in the audit report, be included in the annual report of the municipality.

In responding to the Auditor-General's Report it must be noted that:

- Every reasonable and practical effort will be made to address the issues raised within the Audit Report and commitment is made to regard this as a matter of priority;
- Efforts made to address the deficiencies raised will be detailed through the development of an Audit Action Plan and these issues in the broadest sense will incorporate issues relating to:
 - o Internal controls;
 - o Risk Management;
 - o Legislative Compliance;
 - o Management of data; and
 - o Assignment of roles and responsibilities to ensure reporting compliance.

More specific comments in response to the Auditor General's Report are detailed below, **with specific reference to the numbering that appears within the Auditor-General's Report** (detailing the appropriate action that has or will be taken). It is therefore imperative that these reports are read together.

It is noted that a **"disclaimer of opinion"** was awarded by the Auditor-General and the detail which follows will highlight the basis for this opinion by reflecting on the actions taken or still required to be taken by the municipality.

Comparatives

8. Taking into account Emalahleni Municipality's failure to address all issues raised within the previous audit report as required by s131(1) of the Municipal Finance Management Act, negotiations with the Auditor General took place in order to obtain commitment that should verifiable closing balances for June 2010 be achieved and should the current years transactions and movement be relied on, then the Auditor General would dispense with the requirement that the previous year's issues should be addressed. Work is in

progress, and opening balances have been processed to the current year. It remains to be seen whether the Auditor General will be satisfied with the result.

Revenue

9. A reconciliation of the valuation roll and the related details on the system will be required to be conducted in order to facilitate accuracy of data and to ensure accurate disclosure of the rates revenue in the Statement of Financial Performance and note 22 to the financial statements. An individual has been appointed to conduct valuations and follow up meetings with the valuation team to address complaints received and to finalize the valuation roll are still underway. Monthly report back meetings will be required to be held in order to keep abreast of developments.
10. Interest charged on the outstanding consumer debtors as disclosed in the statement of financial performance will be re-calculated and amended where required (both in terms of the correct interest rate and in terms of the duplum rule in the National Credit Act).

Discussions were held with SEBATA in order to ensure that staff had updated this system with the correct interest rates in terms of policy and for any interest rate changes. After obtaining a download of consumer debtors and performing an analysis of the interest charged, a meeting with SEBATA was arranged in order to obtain advice regarding the system itself. SEBATA have verified that it is extremely unlikely that there are inconsistencies as detailed by the Auditor General in terms of the data entered into the system. A meeting with the Auditor General is therefore to be arranged in order to query the issues and allegations raised.

11. All supporting documentation is to be submitted for auditing purposes in order to verify the stated electricity revenue and steps are to be put in place to ensure that distribution losses are monitored more effectively.

Trade and other receivables from exchange transactions

12. The amount disclosed for municipal debtors is to be verified in terms of documentary evidence. Progress has been made and a list of title deeds has been obtained. Notwithstanding a service provider is required to be appointed in order to address any discrepancies highlighted. All activities are to be conducted in terms of the Debt Collection Policy.
13. Based on the amount disclosed in no. 12 and the difficulties experienced in establishing the accuracy of the provision for bad debts, it was difficult to validate that the provision

for bad debts was verified and justified. Assessment of the SEBATA system is to be undertaken in respect of this.

14. The amount relating to receivables is to be re-stated in terms of their present values (at that time) in order that any overstatement of accounts receivables could be verified and corrected.

Value Added Tax

16. Efforts were undertaken to ensure that the amount reflected on the VAT returns agreed with the general ledger, in order to reconcile an amount of R4,3 million which had been irreconcilable. Intensive training regarding VAT has been undertaken on many spheres. A service provider has assisted by performing a VAT audit of the general ledger for the prior year. A further audit and review will be conducted for the year prior to this. Discussions with the Auditor General are to be undertaken in order to determine the way forward.

Expenditure

17. All invoices are not processed in accordance with the requirements of the value added tax legislation, and value added tax deductions are claimed only on legitimate invoices. Extensive VAT training has been undertaken and will ensure that these issues are to a large extent addressed in future. A service provider will be appointed to perform a VAT audit of the general ledger for the prior year.
18. Efforts are underway to obtain outstanding (and new) supporting documentation and to submit these for auditing.
19. Depending on the accuracy of figures in 17 and 18 above, a report on fruitless and wasteful expenditure incurred should be able to be concluded. This remains a general weakness to be addressed through the audit action plan and extensive VAT Training.

Trade and Other Payables from Exchange Transactions

20. It was intended that a leave audit be concluded and leave balances verified for all staff and councillors in order to be able to validate any accruals. Unfortunately these balances have not been adequately maintained and it was therefore not possible to fully validate the accuracy of data. Where this was possible these were loaded on to the SEBATA system.
21. Adequate supporting documentation is obtained in order to validate and verify data.
22. The Trade Payables amount is to be recalculated and verified.
23. PAYE has been recalculated, and any SARS accrual raised with corresponding staff debtors.
24. All trade and other payables from exchange transactions are to be re-calculated, and stated correctly.

Property, Plant and Equipment

25. Ownership of land and buildings is to be accurately disclosed and all title deeds obtained and secured. All investment property is to be separately disclosed. In order to achieve this an individual has been appointed in order to determine the title deeds missing and to source these. Where none are found a certificate of registered title is required to be registered. Accordingly letters have been sent out to land surveyors to obtain quotes for the layout plans and to identify the erven owned by the municipality.
26. This process has not fully begun. All infrastructure assets have been verified and disclosed and all related information has been captured on the graphical information system. The GIS and FAR have been updated and CHDM will facilitate the updating of systems for Emalahleni Municipality.
27. Supporting documentation to verify capital work in progress (as per note 4 to the Annual Financial Statements) has been provided to verify the amount stated.
28. The amount of R191 million as disclosed in the statement of financial position and note 4 to the financial statements has been verified as correct.

Employee Related Costs

29. The Payroll System has been adjusted and every effort made to integrate this effectively with the accounting system in order to ensure accuracy of all employee related costs (notes 28 and 29 to the financial statements).

Retirement Benefit

30. This resolution has still not been legislated although stated as R1,2 million obligation in note 7 to the financial statements. Full detail on the manner in which this calculation was based was provided. No further comment is made.
31. As a result of no. 30 above, no final conclusions is possible re – any understatement of the liability and any related employee costs.

Irregular Expenditure

32. The Expenditure Accountant was used to compile a checklist that the Purchasing Clerk would be required to complete and the CFO would have to authorize before any purchases and payments are made. Supply Chain Management principles would be included in this checklist. Currently this checklist (although developed) is required to be implemented. Discussions have also been held with the Auditor General in order to discuss the way forward.

Unauthorized Expenditure

33. Unauthorized expenditure of R257 950 has been adjusted as related grant money was received for this purpose from the District Municipality.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Predetermined Objectives

The allegation that the Auditor General was unable to perform the required audit due to non-compliance with the format of the performance report required in terms of s46 of the Municipal Systems Act is strongly disputed. This report was provided in a format aligned with the SDBIP and as per the targets reflected within the SDBIP which had in turn informed the scorecards, which ultimately came directly from the IDP. Currently no format exists for the s46 report and having approached more than one representative from the Auditor General's office not to mention having held similar discussions with DHLGTA --- who all verified that no standardized or prescribed reporting format was in existence for the s46 report, we are amazed at this remark and do not accept it as having impeded any aspect of auditing.

We do and have acknowledged that the targets reflected within the SDBIP and scorecards need to be reworked and that greater alignment between the IDP, Budget, SDBIP and Scorecards is required, and that this needs to take into account the National Indicators as well. In the absence of this and taking cognizance of the fact that the IDP and related documents are required to be refined, we have been required to work from pre-existing and approved documents.

Required documentation not submitted

42. The municipality will now ensure that submission of all information, returns, documents, explanations and motivations that may be prescribed or may be required to the National Treasury, as required by section 74(1) of the Municipal Finance Management Act.

Overspending of budget not reported in writing

43. The municipality will endeavour to report in writing any overspending of the budget to municipal council in terms of section 70 of the Municipal Finance Management Act.

Report on implementation of Supply Chain Management Policy not submitted to Mayor

44. While it is acknowledged that the Supply Chain Management Reports are not always submitted within the required timeframes it must be noted that these reports are submitted. Every effort will be made to ensure that these reports are completed and submitted to the mayor of the municipality within 10 days of the end of each quarter as required by section 6(3) of the Municipal Finance Management Act.

No assessment made on performance of the municipality

45. An assessment will now be made on the performance of the municipality by the 25 January 2011 as required by section 72(1)(a)(ii) of the Municipal Finance Management Act.

Prior year annual report was not presented to the local community

46. For 2008-2009 this was not a requirement. For 2009/2010 the Annual Report will be submitted by the end of August.

Unauthorized, irregular and fruitless and wasteful expenditure non-compliance

47. While progress has not been made in this area it is noted that it is intended that a detailed listing would be compiled of all unauthorized, irregular or fruitless and wasteful expenditure incurred by the municipality.

Non-reconciliation of amounts owing by government departments

48. The municipality will ensure that reconciled amounts owing by government departments are calculated as required by section 98(b) of the Municipal Finance Management Act.

Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA)

Notice on the adoption of the final IDP was not given

49. Notice on the adoption of the final Integrated Development Plan (IDP) 2010/2011 will be given timeously to the public as required by the section 25(4)(a) Municipal Systems Act.

Copy of IDP not submitted to MEC

50. The Municipal Manager is to submit a copy of the IDP to the MEC for local government as required by section 32(1)(a) of the Municipal Systems Act.

Community not involved in setting of key performance indicators

51. Plans are to be made to ensure that there is involvement of the community in the setting of the key performance indicators as required by section 42 of the Municipal Systems Act. Community outreach programmes in this regard will be planned and undertaken.

Performance targets not communicated

52. The municipality did not communicate the performance targets as per the IDP to the staff and to the public as required by section 44 of the Municipal Systems Act. Implementation of the Performance Based System is not being understood and this is to be remedied through appropriate training and development.

Core components of performance management system not established

53. Compliance with the requirements of section 41 of the Municipal Systems Act with regard to the core components of the performance management system is to be strictly adhered to.

Performance Management System not established

54. This statement / finding is disputed. A performance management system was approved and in place for 557 managers at this time. Accordingly, performance reviews were conducted as required in January 2010 for the first and second quarter.

Financial Interests not declared

55. All financial interests have not been declared by Councillors in strict compliance with s7 of the Municipal Finance Management System. This is to be addressed formally.

Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA)

Property Register not maintained

56. A Property Register was completed as required by section 23 of the Municipal Property Rates Act.

Environmental Conservation Amendment Act, 2003 (Act No. 50 of 2003) (ECAA)

No permit for disposal sites

57. A permit issued by the Minister as required by section 20 of the Environmental Conservation Amendment Act has been issued for use when working in terms of s20 of the Environmental Amendment Act.

National Environmental Management Act, 1998 (Act no. 107 of 1998) (NEMA)

No provincial environmental plan and restoration plan in place

58. The municipality will have a provincial environmental plan and a proposed plan to restore their disposal sites as required by section 16 of the National Environmental Management Act (As per Audit Action Plan). This municipality has provided funding within the AFS for the rehabilitation of the existing landfill site

Environmental matters

59. Every effort is being made to ensure that physical inspections are conducted on the landfill sites to minimize environmental hazards. These are planned as per the Audit Action Plan.

Internal Control

61. The manner in which highlighted deficiencies will be addressed are detailed as follows and will be emphasized in the Audit Action Plan:

- Leadership

Monitoring and oversight is to be addressed in respect of ensuring required financial reporting, compliance with laws and regulations and internal controls. As a starting point all audit findings of the previous year are to be addressed wherever possible as planned by the Audit Action plan, and in terms of recognized reporting in terms of the employee and organizational performance management system.

- Financial and Performance Management

All supporting documentation that would be required to verify the records kept and information provided, must be methodically and efficiently stored.

As per the Audit Action Plan, adequate systems are now in place to ensure that for the most part suppliers are paid timeously.

In accordance with the Audit Action Plan steps are underway to ensure that manual and automated controls are applied correctly and are appropriate to the facilitation of the preparation of financial systems and performance reports.

- Governance

Plans are in place to ensure that the Risk Management Strategy is updated and a Fraud Prevention Plan is in place during the year. Staff duties are segregated as required through updated Job Descriptions and the implementation of Performance Management as per policy.

**ANNEXURE G:
AUDIT ACTION PLAN
(RESPONSE TO THE AUDITOR GENERAL'S REPORT)**

Executive Summary

INTRODUCTION

The Audit action plan drafted has been compiled with due cognizance of the AG comments regarding previous action plans

“The municipality implemented an audit action plan to address prior year’s findings. However, this plan has not been effective and no significant actions have been taken to improve the audit outcomes of the prior year”

It is also important to note the following statement incorporated in the AUDIT REPORT in the drafting and acceptance of the new Action plan:

“In my previous report dated 30 November 2009, I was unable to express an audit opinion on the financial statements of the municipality for the year ended 30 June 2009. This was as a result of significant uncertainties and a limitation on scope of the audit. **No adjustments have been effected to the financial statements to correct the matters raised in the prior year audit report.** As a result, the effect of the prior year uncertainties and scope restriction has an effect on the accumulated surplus and balance sheet items. **The municipality has not addressed the issues raised in the previous audit report** and as required by section 131 (1) of the Municipal Finance Management Act. “(Our highlighting)

AREAS OF WEAKNESS

The Audit Report has identified common areas of concern as it has addressed the individual items giving rise to the disclaimers and notes of concern.

The following appear to be a common thread and areas in which overall remedial steps must be implemented:

GENERAL AREAS OF CONCERN

1. Annual Financial Statements

The source basis which can be identified as the root cause of the problems giving rise to the disclaimer can be traced to the Annual Financial Statements and the problems encountered with them. The AFS’s are compiled by consultants on behalf of the Municipality and it is critical to take ownership of them and to ensure that the necessary rectifications and attendances are implemented to correct them.

2. Finance Department

The Audit Report constantly makes reference to the apparent weaknesses within the system ascribed to the management and staff referring to:

- Lack of competent people who understand the financial framework, lack expertise, failure to fulfil duties & responsibilities, lack of understanding of reporting procedures to name but some.

In order to address the problem at source it is critical to address this issue and ensure that the relevant staffing complement is empowered and trained to perform adequately. The need for an assessment of the structure and skills requirements appears to be required.

3. SEBATA Software

The AG himself has identified this as a major area of concern as over the past 3 years the failure of the automated system and software has constantly appeared, as again in the current year, as reason for failure to comply with standards or produce the required results resulting in disclaimers.

A reassessment of the current software is required and a need to identify a successful and functioning software system within another successful municipality is critical.

However this exercise cannot be attended to before the Staffing, systems and controls have been reviewed, updated and put in place.

4. Management Control:

Reporting, Compliance, Verification and Oversight

The Audit report constantly highlights the weakness and /or lack of Management controls with little within the system to provide checks and balances. The lack of an effective management control system allows matters to be processed without authorization, to be implemented without consideration of compliance and results in a reactive instead of proactive management style.

Numerous of the disclaimers including notes to the AFS reflect concern at the lack of management control.

The weakness is not due to lack of trying by the management and staff but due to the limited staff complement and the lack of in depth knowledge and expertise, the almost total dependence on service providers it is impossible to function in any other way.

A complete review of the process's and procedures, the development, understanding and implementation of a set of management controls linked to the actual oversight and reconciliation role being fulfilled is required.

The weaning of the dependence on outside service providers of the Finance Department is critical and can be a critical area to be addressed.

5. Accounting Officer

The failure of the system,

- the personnel ,
- the internal controls ,
- management and reporting structure
- Applicable to finance results in the perception that the accounting officer/accounting authority/CFO do not exercise oversight responsibility over the finance section of the Municipality.
- By addressing the areas of concern reflected in items 1 to 4 the oversight and control will fall into place.

Unless these general areas of concern are addressed first the rest of the action plan cannot and will not succeed.

SPECIFIC AREAS OF CONCERN

The following are constant areas of concern recurring throughout the Audit report.

6. Procurement – SCM

A complete review of the policy, its implementation as well as process's and procedures must be undertaken linked to an education and training process of ALL role players as to the system and its requirements.

7. Assets

- a. Immovable
- b. Movable

Immovable Assets: The management and control of these is not possible without a manner of determining, identifying, assessing and recording of the assets many of which are historical of nature and difficult to assess.

The Municipality can attend to most of the verification itself except for the assessment of the technical immovable asset base such as underground cables etc. The need to drive this process with the understanding that it crosses departments and is not restricted only to finance or to technical is important.

8. Payroll

A recurring problem arising in previous years and repeating over the past 3 years.

9. Leave

A recurring problem recurring over the past 3 years audit reports.

10. VAT

A matter which should be addressed if the system, management controls and staff issues are addressed.

11. Expenditure

- a. Authorisation or lack of it
- b. Controls
- c. Filing

12. Debtors

The management and control are a recurring concern.

13. Administration

- a. Support documentation
- b. Registers
- c. Reconciliations
- d. Access control
- e. Overtime Management
- f. Leave Management
- g. Attendance
- h. Documentation
- i. Availability of Staff and supporting documentation

14. Compliance

The issue of non compliance is a constant refrain throughout the report and needs to be noted and addressed with a clear understanding of management and staff of the requirements and the importance to comply with them.

15. PMS

The need to address and review the system adopted and the oversight of the assessment of the institution and reporting process as well as measurement is required.

CONCLUSION

The Audit Action Plan was reviewed and work-shopped with the assistance and facilitation of the AG in guiding the MPAC and Management to produce a document which is workable, implementable and achievable within the 18 month period set. The Municipality has identified and set in action plans to address these areas of concern before any attempt is made to try and address or develop an action plan arising from the Audit report.

The success of the Action plan is dependant on the appointment of the necessary employee and support resource failing which the ability to succeed will be severely limited.

RESOLUTION:

The Audit action Plan as workshopped be adopted and implemented over an 18 month period and the following process is adopted and monitored to achieve this:

1. The Audit Action plan process be utilised to firstly address the source problem and thereafter address the specific items in preparation for achieving a clean audit.
2. The process of identifying and advertising for a Deputy Chief Accountant/ Deputy Chief Financial Officer with extensive local government finance experience be implemented urgently and incorporated in the adjustment budget.
3. The process be implemented to appoint a support resource person/entity to assist the CFO in finance urgently and be incorporated in the adjustment Budget..
4. SEBATA process plan and training be implemented.
5. Internal Audit to work closely with AG and align Audit program under the guidance of AG.
6. The Audit Action Plan be adopted and a timeline and implementation process plan be developed for implementation of short, medium and long term goals over an 18 month period and be allocated to the Support resource and Chief Accountant to oversee implementation over an 18 month period.

SECTION 3: GENERAL AREAS OF CONCERN – HOLISTIC OVERVIEW

**SECTION 3: GENERAL AREAS OF CONCERN – HOLISTIC OVERVIEW
B PROPOSED ACTION PLAN**

EMALAHLENI MUNICIPALITY AUDIT OVERVIEW – GENERAL AREAS OF CONCERN					
	ITEM	AREA AFFECTED	PROPOSED ACTION	MANAGEMENT OR SYSTEM FAILURE	RESPONSIBLE DEPT /PERSON
1	Employee Cost	Payroll	<ul style="list-style-type: none"> ➤ Monthly checking/verification and reconciliation of payroll & system required ➤ Ensure daily implementation that the figures posted to general ledger are not globular but itemised at posting. monthly verification by supervisor ➤ Monthly recon & verification that all postings in control account are cleared and outstanding uncleared postings are identified and reported. journalise transaction to correct 	Management	Finance/Corporate
2	Employee Cost	Payroll	Formula Error on Calculation of Tax	System	Finance
3	Employee Cost	<ul style="list-style-type: none"> ➤ Pay Roll/Leave Payouts ➤ Leave Days 	<ul style="list-style-type: none"> ➤ Process from application to payout needs process plan to control, approve and verify ➤ Monthly Verification System to ensure data is reconciled and corrected 	Management System	Finance/Corporate
4	Employee Cost	Councillors	<ul style="list-style-type: none"> ➤ Management and implementation of policy and gazette needs to be implemented and managed – cllr & employee education re what allowed not allowed transport for cllr travel allowance vs use of council vehicles 	Management	Corporate/MM/Strategic
5	VAT	VAT <ul style="list-style-type: none"> ➤ Reconciliation ➤ Discrepancies ➤ Disclosure ➤ AFS Posting Differences 	<ul style="list-style-type: none"> ➤ Develop checks and balances to control vat account and postings on a monthly basis for verification and rectification purposes 	Management & System	Finance

	ITEM	AREA AFFECTED	PROPOSED ACTION	MANAGEMENT OR SYSTEM FAILURE	RESPONSIBLE DEPT /PERSON
6	AFS	<ul style="list-style-type: none"> ➤ compliance ➤ disclosure ➤ IAS 39 & NT requirements ➤ discrepancy in AFS's ➤ oversight AO of AFS ➤ irregular expenditure ➤ unauthorised expenditure ➤ figures not carried forward from previous year ➤ services rendered by year end but paid after ➤ lack of management review of abs's ➤ cashflow statement non-compliant to AFS 	<p>Develop the competence of own employees to understand the financial reporting framework and a system to check the AFSs and discrepancies within them and the system as drafted by service provider.</p> <ul style="list-style-type: none"> ➤ Service provider drafted AFS's needs oversight and control to address discrepancies and why they arose. ➤ Closer collaboration by own employees and empowerment for plan of action for elm to manage and produce own AFS's ➤ Ensure AFS's tie up to previous financial year ➤ Management & control system with regular verification of votes to financial system to prevent unauthorised & fruitless/wasteful expenditure arising ➤ Ensure system of verification of payments made in New Year for services rendered in previous year. ➤ Implement a system to review AFS's by management before submission for accuracy and completeness 	Management , system & service provider	Finance
7	Accounting Officer	<p>weakness in oversight, reporting and control</p> <ul style="list-style-type: none"> ➤ lack of internal control 	<ul style="list-style-type: none"> ➤ Address current reporting process and information submitted to address the weakness identified. ➤ Develop a fully compliant report of financial information aligned to address identified areas of weakness. ➤ assess and address lack of internal control to ensure reporting process in place to AO 	CFO & System	

	ITEM	AREA AFFECTED	PROPOSED ACTION	MANAGEMENT OR SYSTEM FAILURE	RESPONSIBLE DEPT /PERSON
8	Procurement	SCM <ul style="list-style-type: none"> ➤ General ➤ Tender Documents ➤ Reporting 	<ul style="list-style-type: none"> ➤ Review SCM system ➤ Train all role-players on SCM process and requirements ➤ Strictly implement control system to ensure compliance ➤ Control of supporting documentation ➤ No allowance for deviation ➤ Implement system for verification of tender documentation & compliance to advert & policy at evaluation ➤ Address compliance with reporting requirements 	Management	SCM Manager/Finance
9	Assets	Immovable Assets <ul style="list-style-type: none"> ➤ Fixed Asset Register ➤ Lack of supporting documentation ➤ Verification System ➤ Title Deed ➤ Documentation 	<ul style="list-style-type: none"> ➤ Fixed assets – projects in progress ➤ Develop a system to ensure reconciliation of assets to AFS's ➤ Develop the fixed asset register in order to record and verify fixed assets held and identify weaknesses and discrepancies. ➤ Utilise operation clean audit to assist in accessing resources to implement the fixed asset verification process. Develop business plan to submit in support of fixed asset verification project ➤ Finalise title deed register and maintenance and control from project underway. 	Management/System	Finance/Technical
10	Assets	Movable Assets <ul style="list-style-type: none"> ➤ Asset Register ➤ Documentation 	<ul style="list-style-type: none"> ➤ Develop a management, accounting and information system to account for assets & ensure no discrepancy between system and AFS's ➤ Monitor, control & oversight of above supporting documentation ➤ Address filing system and oversight, control and monitoring of filing of supporting documentation pertaining to assets (e.g. invoices) 	Management/Service Provider	Finance & Dept Heads

	ITEM	AREA AFFECTED	PROPOSED ACTION	MANAGEMENT OR SYSTEM FAILURE	RESPONSIBLE DEPT /PERSON
11	Expenditure	<ul style="list-style-type: none"> ➤ Invoices Fixed Assets ➤ Purchase Orders ➤ MIG Projects ➤ Payments ➤ Invoices ➤ Non Submission of information 	<p>Authorization</p> <ul style="list-style-type: none"> ➤ Implement control system to ensure authorisations in place before purchasing orders processed. to improve oversight and control internally. ➤ Monthly control CFO/expenditure officer - oversight & reporting process to confirm verification ➤ Verification & control system for supporting documentation ➤ Implement & confirm control & verification of filing system to ensure documentation filed and readily available ➤ Implement control system to ensure payment within 30 day time frame 	Management	Finance
	Expenditure	<ul style="list-style-type: none"> ➤ Conditional Grant 	<ul style="list-style-type: none"> ➤ implement a monthly verification, reconciliation and confirmation that conditional grant register is reconciled to the ledger and incorporated to AFS's 		
General					
	SEBATA	<ul style="list-style-type: none"> ➤ Debtors interest incorrect ➤ Valuation reconciliation ➤ Leave ➤ Back ups ➤ Unidentified credits 	<ul style="list-style-type: none"> ➤ Numerous of the disclaimers refer to system error or discrepancies in the system 		
	Management	<ul style="list-style-type: none"> ➤ Segregation of duties 	<ul style="list-style-type: none"> ➤ Identify the areas of weakness and develop and implement a system to ensure a clear segregation of duties within the organisation. 		Finance

	ITEM	AREA AFFECTED	PROPOSED ACTION	MANAGEMENT OR SYSTEM FAILURE	RESPONSIBLE DEPT /PERSON
	Administration	<ul style="list-style-type: none"> ➤ Supporting documentation lacking ➤ Registers ➤ Access control to employee master file ➤ Overtime ➤ Leave management ➤ Attendance register ➤ Review and signature of documentation 	<ul style="list-style-type: none"> ➤ General assessment of system to address and implement a system to control and ensure supporting documentation submitted and filed ➤ Assess and ensure all registers are in place and maintained – verification & reporting mechanism on a monthly basis ➤ Implement a control system for restricting access and verifying and reporting access on a monthly basis. ➤ Review management & control of overtime and implement monthly system to verify and reconcile overtime postings and supporting documentation ➤ Assess control mechanism for approval of leave and statutory leave requirements to ensure monthly verification and reconciliation of leave and submission of supporting documentation ➤ Implement an attendance register review on regular basis ➤ Address weakness of lack of signature and or proof of review of documentation and develop system to address same. 	Management	Finance Community & All Dept Heads
	Compliance	<ul style="list-style-type: none"> ➤ Statutory non compliance 	<ul style="list-style-type: none"> ➤ address the statutory non compliance by departments 		Community Services
	PMS	<ul style="list-style-type: none"> ➤ Statutory non compliance 	<ul style="list-style-type: none"> ➤ Assess system and align to ensure compliance with the MFMA and systems act ➤ review PMS system 		Strategic
	Reconciliations	<ul style="list-style-type: none"> ➤ Bank reconciliations 	<ul style="list-style-type: none"> ➤ Verification and reconciliation on a monthly basis with monthly reporting to AO 		Finance

AUDIT ACTION PLAN

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/ Status	Contact Person	Responsible Manager	Due Date
MATTERS AFFECTING THE AUDITOR’S REPORT								
IMMOVABLE PROPERTY –RATES								
1	The rates revenue of R 3.1 million is disclosed in the statement of financial performance and note 23 to the financial statements. As no reconciliation of the valuation roll was performed, the valuation roll did not agree to the details on the system. Consequently, I am unable to verify the completeness of this amount. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all properties were properly recorded and it was impractical to obtain the effect on rates income and consumer debtors.	Perform reconciliation of property values per valuation roll to property values per system	Reconciliation of individual debtor accounts to valuation roll 20092010 and 20102011 Reconciliation of total valuation roll to total property rates charged on debtors system 20092010 and 20102011 Monthly reconciliation between total property rates charged and valuation roll Preparation of file with hard copies of all reconciliations, signed off by CFO Verification of the different categories of tariffs between the approved tariff schedule and the debtors accounts. Reconciliation of the monthly amounts charged for property rates to the ledger control account and the ledger income account for property rates	1		Revenue Accountant	CFO	30 APRIL 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
INTEREST CHARGED								
2	Interest charged on outstanding consumer debtors as disclosed in the statement of financial performance is R365 013. The municipality did not apply the correct interest rate during the year on outstanding debtors. Additionally, the interest on debtors is being calculated by the debtors system without cognizance of the in duplum rule in the National Credit Act, Section 103(5), which holds that interest stops running when the unpaid interest equals the outstanding capital. As a result, the estimated effect of this is a misstatement of revenue and consumer debtors could not be determined. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all properties were properly recorded and it was impractical to obtain the effect on rates income.	Input correct interest rate into system System to be adjusted to ensure additional interest is not charged when the unpaid interest equals the outstanding capital	The CFO to monitor the interest rate charged on a Monthly basis. To investigate the interest charged on individual debtors' outstanding capital to ensure that monthly interest is calculated according to the "in duplum" rule.	1		CFO	CFO	30 APRIL 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
ELECTRICITY LOSSES								
3.	Electricity revenue of R3.3 million is included in service charges of R5.7 million as disclosed in the statement of financial performance and note 24 to the financial statements. I could not verify this amount due to supporting documentation not being submitted for audit purposes. Also, distribution losses were not monitored during the year. Consequently, there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that electricity revenue is properly recorded and it was not possible to obtain the effect on electricity income and consumer debtors.	Monthly monitoring of distribution losses	Perform daily reconciliations between Conlog, the amounts banked and the amounts receipted on the ledger account for electricity sales. Perform monthly reconciliation between electricity purchased and electricity sold to determine electricity losses. Prepare file with hard copies of the reconciliations, signed off by CFO for audit purposes.	1		Revenue Accountant	CFO	30 APRIL 2011
DEBTORS								
4	The existence of the amount of R30.8 million for municipal debtors as disclosed in note 13 to the financial statements could not be verified as a deeds search failed to provide evidence over certain debtors. No alternative procedures could be performed.	Ensure rates are billed to the registered property owner	A data cleansing exercise to be conducted on all Municipal debtors. Verify how the debt collection policy deals with indigents	1		Revenue accountant	CFO	30 APRIL 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
TRADE AND OTHER RECEIVABLES								
5	In terms of IAS 39, trade and other receivables should be stated at their present value in the financial statements as at year end, with the difference between the nominal amount and the present value recognized as interest income over the financing period. Receivables were not present valued at year end which has resulted in an overstatement of accounts receivables of R3.3 million.	Management to review annual financial statements before being submitted for audit						

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
WATER SERVICE PROVISION								
6	The functions of water and sanitation were transferred to the district municipality in 2003. However, the municipality continues to deliver the services to the community. Note 11 to the financial statements discloses the assets, liabilities, income and expenditure relating to the water and sewerage function totalling R32 million. I am unable to conclude if this amount is correct as not all debtors may exist, all assets have been identified and transferred and all revenue and related expenditure have been accounted for correctly. No alternative procedures could be performed.	Address SLA with CHDM Perform monthly reconciliation of CHDM loan account	CHDM has appointed a service provider to draw up a new SLA for 2010/11. Arrange a meeting with the CHDM to discuss the terms and conditions of the SLA and if those are not favourable to the ELM, the ELM to consider not to accept the responsibility of being a WSP for the District. The ELM to ensure liability for assets remains with WSA	1		CFO	CFO Technical service Manager	30 APRIL 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
VAT								
7.	Amounts reflected on the VAT returns for the year under review did not agree to the amounts reflected in the general ledger and I was unable to reconcile an amount of R4.3 million. Consequently, I was unable to verify the adequacy of the value added tax receivable of R3.9 million as disclosed in the statement of financial position and note 12 to the financial statements.	Perform monthly reconciliation of amounts per VAT 201 and amounts per general ledger	Daily checking of correct treatment of the input vat whilst capturing the invoices to the financial system. Monthly calculation of input vat claimable according to the total payments made and the amount of input vat recorded in the input vat account. Implementing and maintaining a register of non-valid vat invoices for follow-up.	1		Accountant Expenditure	CFO	30 APRIL 2011
8	Amounts reflected on the VAT returns for the year under review did not agree to the amounts reflected in the general ledger and I was unable to reconcile an amount of R4.3 million. Consequently, I was unable to verify the adequacy of the value added tax receivable of R3.9 million as disclosed in the statement of financial position and note 12 to the financial statements.	Perform monthly reconciliation of amounts per VAT 201 and amounts per general ledger	Monthly journals to clear the input and output vat accounts to the SARS refund account, and agreeing with the submitted VAT returns. Monthly verification of vat invoices claimed as per the vat returns. Weekly follow up of non-valid vat invoices as per the register.	1		Accountant Expenditure	CFO	30 APRIL 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
9	The municipality has claimed value added tax deductions based on invoices that are not in terms of the requirements of the value added tax legislation. Consequently, I am unable to conclude on the accuracy of the general expenditure as disclosed in the statement of financial performance and in note 27 to the annual financial statements of R8.7 million.	Communicate requirements of VAT Act to all relevant staff						
LEAVE								
10	The leave balance of employees could not be verified as the leave records of the municipality have not been adequately maintained. Also, the attendance registers for employees and full time councillors was not adequately monitored. As a result, I am unable to conclude if the accrual of R1 million as disclosed in the statement of financial position and note 18 to the financial statements and the related employee cost as disclosed in the statement of financial performance and note 28 to the financial statements is misstated.	Leave records to be updated timeously Maintain an attendance register for all full time councillors	A leave audit was performed on 100% of leave balances. SEBATA has been contacted to load the verified balances to the system and the necessary adjustments were made. Corporate Services Manager to monitor the completeness and correctness of the leave balances on a quarterly basis	1		HR Officer	Corporate Services Manager	31 March 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
AFS								
11	An amount of R2.9 million was not included in the trade payables amount disclosed in the statement of financial position and note 18 to the financial statements. I am therefore unable to verify the completeness of the trade payables amount.	Management to review annual financial statements before being submitted for audit						
PAYROLL								
12	The municipality did not calculate PAYE accurately. The SARS accrual of R901 005 has not been raised with the corresponding staff debtors.	Correct formulas to be inputted into the payroll system with specific reference to those relating to lump sum payouts	Arrange a meeting with AG in order to discuss the finding further as our system is loaded with the correct formulas	1		CFO	CFO	31 MARCH 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
LAND OWNERSHIP								
13	Ownership of land and buildings as disclosed in the statement of financial position and in note 4 to the financial statements of R113 million could not be confirmed as title deeds could not be obtained for certain properties. Also, investment property is disclosed in the statement of financial position and in note 3 to the financial statements. The municipality has not identified and separately disclosed the number of such properties held in a note to the financial statements and is therefore included within the land and buildings as disclosed.	Obtain and retain title deeds for all properties reflected in the fixed asset register Management to review annual financial statements before being submitted for audit	The Municipality has appointed NPM Geomatics to attend to a Land Audit to address the matter of land within the Municipality. A land Register will be developed arising from this	1	Project in process – alignment to valuation roll in process – March 2011	Legal & Compliance Manager	Legal & Compliance Manager	MAY 2011
INFRASTRUCTURE ASSETS								
14.	Infrastructure assets of R44 million as disclosed in note 4 to the financial statements could not be verified as the municipality has not captured all the relevant information on the geographical information system.	Implement MIS / GIS systems						

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
PAYROLL								
15.	The municipality's payroll system failed to fully integrate with the accounting system which has resulted in a variance of R637 191. Consequently, it was therefore not possible to determine the validity, accuracy and completeness of employee related costs as disclosed in the statement of financial performance and notes 28 and 29 to the financial statements.	Perform monthly reconciliations between payroll system and general ledger	Monthly reconciliations between the ledger control accounts and the payroll must be performed and signed off by the CFO. Monthly reconciliations between the total payroll and the expenditure votes for salaries must be performed and signed off by the CFO.	1		Accountant Expenditure	CFO	31 MARCH 2011
EXPENDITURE SCM								
16.	Expenditure made in contravention of the supply chain management requirements amounting to R18.3 million was identified. The amount was not included in irregular expenditure and disclosed in a note to the financial statements resulting in irregular expenditure being misstatement.	Requirements of supply chain management policy to be communicated to relevant staff Management to review annual financial statements before being submitted for audit	A register to be developed and maintained to record all irregular expenditure for disclosure purposes	1		CFO	All HOD's	31 MARCH 2011

No.	Audit Finding	Recommended Action	Implementation Plan	Priority	Progress/Status	Contact Person	Responsible Manager	Due Date
UNAUTHORISED EXPENDITURE								
17.	Unauthorised expenditure was incurred during the current year of R257 950 as a result of overspending on compensation of employees in the Refuse Cleaning Services vote. This overspending is due to a grant not yet received from the district municipality before year end.	Overspending on any vote to be reported to municipal council timeously Management to review annual financial statements before being submitted for audit						

**ANNEXURE H:
AUDIT COMMITTEE REPORT**

NORTHERN CLUSTER AUDIT COMMITTEE

AUDIT COMMITTEE REPORT: EMALAHLENI MUNICIPALITY

FOR THE YEAR ENDED 30 JUNE 2010

We are pleased to present our report for the financial year ended 30 June 2010

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

MEMBER NAME	TOTAL NO	NUMBER OF MEETINGS ATTENDED 2009/2010
TRACEY PUTZIER: CHAIRMAN	5	5
VAUGHN HARTLEY	5	3
GERRIE GROENEWALD	5	3

The Audit Committee acts under the provisos contained in the contract creating the Northern Cluster within Chris Hani District Municipality between 3 Municipalities being Lukhanji, Emalahleni & Sakhisizwe Municipalities.

Emalahleni Municipality had a functioning Audit Committee throughout the year under review. Meetings were held on 01 October 09, 20 August 09, 21 April 2010,

The members, Ms Putzier and Mr Hartley have a contract with the cluster, which is valid from 01 May 2009 up to the maximum period of 3 years there from. The Audit Committee comprises of three independent members. Ms Putzier and Mr Hartley were appointed by the Cluster on 01 May 2009. Mr Groenewald was nominated to replace Mr Ian McEwen who resigned and he has a contract with the cluster, which is valid from 21 April 2010 up to the maximum period of 3 years there from.

The Municipal Manager, Chief Financial Officer, Legal Compliance Manager, Internal Audit and the Auditor-General attend meetings by standing invitation as well as Senior Managers when items arise relevant to their departments.

These meetings were scheduled to take place quarterly but due to the fact that the cluster was newly established and, the number of issues raised in the prior years Auditor General's reports that needed to be addressed and the commitment of the members toward working to achieving a clean audit the meetings were changed to a monthly basis.

The Chairperson is available to attend the Council meetings and report on the activities of the Committee, by invitation from the council. In the year ending 2009/2010 no invitation was extended to the audit committee and hence no council meetings were attended.

AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate terms of reference in our Terms of reference in line with the requirements of Section 51 (1) (a) of the PFMA and Treasury Regulations 27.1. We further report that we have conducted our affairs in compliance with these terms of reference. We are in the process of drafting a Charter to govern our conduct to be adopted.

THE EFFECTIVENESS OF INTERNAL CONTROLS

In line with the PMFA, MFMA, and Corporate Governance requirements, Internal Audit provided the Audit Committee and management with reports pertaining to the appropriateness and effectiveness or not of internal controls. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the internal Auditors, the Audit report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that the system of internal controls was not effective for the year under review primarily because of shortfalls in the staffing capacity, a factor that is often linked to staff numbers in a small entity.

Action plans were developed by the Management of the Municipality to respond to matters dealt with in the Auditor-General's prior year report. The Audit Committee requested that updates on the action plans be tabled for discussion at each Audit Committee. Unfortunately the report required the Audit Committees attention for the whole duration of the year under review and still at the end, not all items were addressed.

THE QUALITY OF ANNUAL MANAGEMENT AND MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE MFMA

We were not entirely satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer during the year under review and noted and addressed these concerns at our meetings. It should also be noted that some aspects pertaining to performance reporting were not always satisfactory, making it difficult to assess the Municipality. Performance reporting will become a focus area for the Audit Committee in the future so as to address issues as they arise and thus alleviate the large array of issues with the financial year end.

RISK MANAGEMENT

The Municipality has established a Risk Management Charter Committee, developed and adopted a risk management strategy and charter during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

We have:

- Reviewed and discussed the annual financial statements, included in the annual reports, with the Auditor-General, the Accounting Officer and the CFO.
- Reviewed the Auditor-General's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed Emalahleni Municipalities compliance with legal and regulatory provisions; and,
- We have not reviewed adjustments resulting from the Audit

We concur with and accept the Auditor-General's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

INTERNAL AUDIT

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality in the audits.

AUDITOR-GENERAL

We have met with the Auditor –General to ensure that there are no unresolved issues.

Report compiled by

Tracey Putzier
Audit Committee Chairperson

CHAPTER 5:

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1 Overview of the Executive and Council Functions

a. Political Structure

In terms of the Municipal Structures Act, Act No. 117 of 1998, Emalahleni Municipality has a Collective Executive System of functioning. As a democratically elected Category B Municipality, the municipality is structured as follows:



In terms of this structure it must be noted that:

- 31 Councillors were sworn in to office in 2006 (after the Local Elections)
- The Mayor is the political head
- The Speaker coordinates all Council activities, including meetings
- The Chief Whip represents the majority party

The Executive Committee (EXCO) has the mandate to recommend and resolve municipal matters. Exco is chaired by the Mayor and sits monthly. Members of EXCO also serve as Portfolio Heads for various Standing Committees.

Executive Committee Structure

Chairperson: Mayor, Councillor N. Lali
Councillor S. Doni
Councillor P. Kwanini
Councillor L. Ngcongca
Councillor B. Twala
Speaker: Councillor D. S. Kalolo
Chief Whip: Councillor S. Liwani

Emalahleni Municipality Councillors and members of Standing Committees

N.C. LALI MAYOR

D.S. KALOLO SPEAKER

S. LIWANI CHIEF WHIP

EXECUTIVE COMMITTEE

S. DONI PORTFOLIO HEAD
P. KWANINI
B.P. TWALA
L.P. MAPETE
L.M. NGCONGCA

COMMUNITY SERVICES STANDING COMMITTEE

**L.P. MAPETE PORTFOLIO
HEAD**
K. NKASELA
P. NOBAZA
K. BONTSHI
F. MTHANDEKI
S. LIWANI

FINANCE STANDING COMMITTEE

S. DONI PORTFOLIO HEAD
S.K. FUDUMELE
S. MNYUKO
N. NYUKWANA
M. GODLA
A. YAWA

**IPED
STANDING COMMITTEE
COMMITTEE**

L.M. NGCONGCA **PORTFOLIO HEAD**
N. NDAMANE
N. MOYO
V. JORDAAN
M.P. MBILI
C.H. BOBOTYANA

**INFRASTRUCTURE
STANDING**

B. TWALA **PORTFOLIO HEAD**
N. DLIKILILI
B. MNTUYEDWA
N. ZIDULI
L. MOOI
M. LIMBA

**GOVERNANCE AND ADMINISTRATION
STANDING COMMITTEE**

P. KWANINI **PORTFOLIO HEAD**
Z. DYONASE
P. MATAKATA
L. GATYENI
N. PETER

Standing Committees

There are 5 Standing Committees operating within Council. Standing Committee meetings are held monthly. Recommendations are submitted to the full Council. All councilors are required to serve in Standing Committees with the exception of both the Mayor and the Speaker.

The diagrams above depict the composition of each Standing Committee. Standing Committees are held monthly and their aim is to engage with specific departments that they represent so that decisions regarding policy issues and operational issues affecting these departments can be made from a position of strength. Each standing committee will be examined further as follows:

▪ **Finance Standing Committee**

The Finance Standing Committee is required to manage the financial resources of the municipality in an efficient, effective and economic manner. Policies, procedures and by-

laws as required by the Municipal Finance Management Act, Act No.56 of 2003 and the National Treasury Regulations, are developed by the Finance Department and the role of this department focuses on implementation support to all departments.

- Infrastructure Standing Committee

This Standing Committee relates primarily to the technical services department, which deals mainly with the facilitation of infrastructure development (as with both external and internal responsibilities). In this regard infrastructure development (external to our powers and functions) is required to be facilitated; and existing infrastructure is required to be maintained and developed internally (from an administrative and technical aspect). Technical functions would include; water and sanitation, roads and stormwater, housing schemes, electricity reticulation and distribution, as well as processing of building plans and quality monitoring.

- Community Services Standing Committee

This Standing Committee is involved with services that are all community based and these services may include; the reduction of HIV/Aids; control of traffic; disaster management; environmental management; air and noise pollution; pauper burials; child care facilities; community halls, parks and recreational facilities, and libraries. It is also entrusted to develop the by-laws, and ensure availability and maintenance of disposal sites.

- Governance and Administration Standing Committee (Corporate & Strategic Department

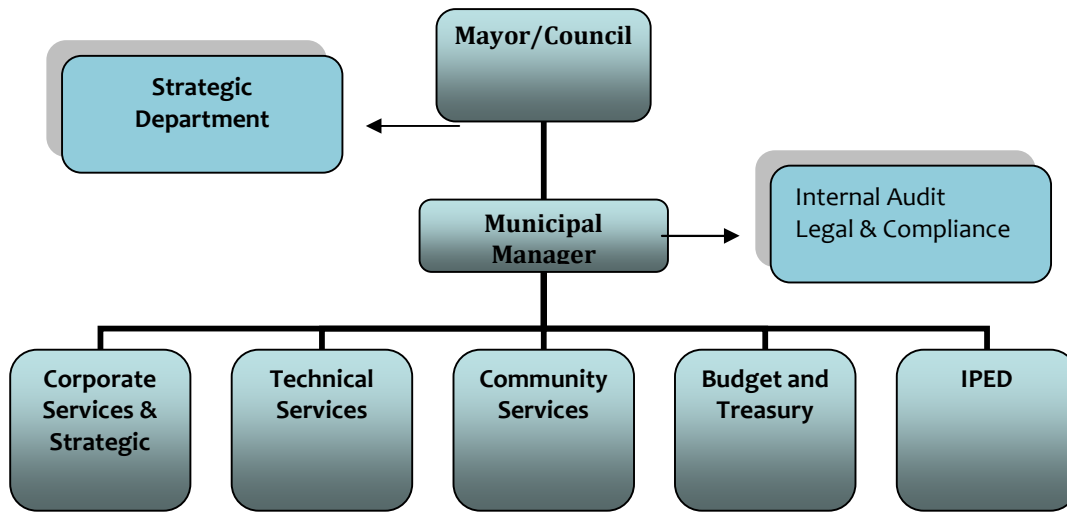
This Standing Committee provides administrative support to the Council and HR as well as legal compliance. Additionally is required to provide human resource management and development, not to mention the establishment, development, monitoring and evaluation of the performance management system.

The administrative function is also tasked with the responsibility of supporting Council in exercising its powers and functions and is required to support the political structures in performing their functions. These would include: the Council itself, the Office of the Speaker, the Mayor and his/her Mayoral Committee and the Council Committees. It is also responsible for supporting the functioning of community participation structures, as required in Chapter 5 of the Municipal Systems Act, Act No. 32 of 2000. These include Ward Committees and Community Development Workers. It is also required to ensure that services that are incidental to the application of the powers and functions of Emalahleni Municipality are applied.

- IPED Standing Committee

The IPED portfolio is based on s152 of the Constitution of 1996, in which it is stated that local government is required to structure its administration in such a way that social and economic development is promoted. This requires that local government utilizes all its resources in such a way that jobs are created and poverty is reduced. (technical, environmental and financial).

b. Organizational Functional Structure



Portfolio Head
Cllr. P. Kwanini

Portfolio Head
Cllr. B. Twala

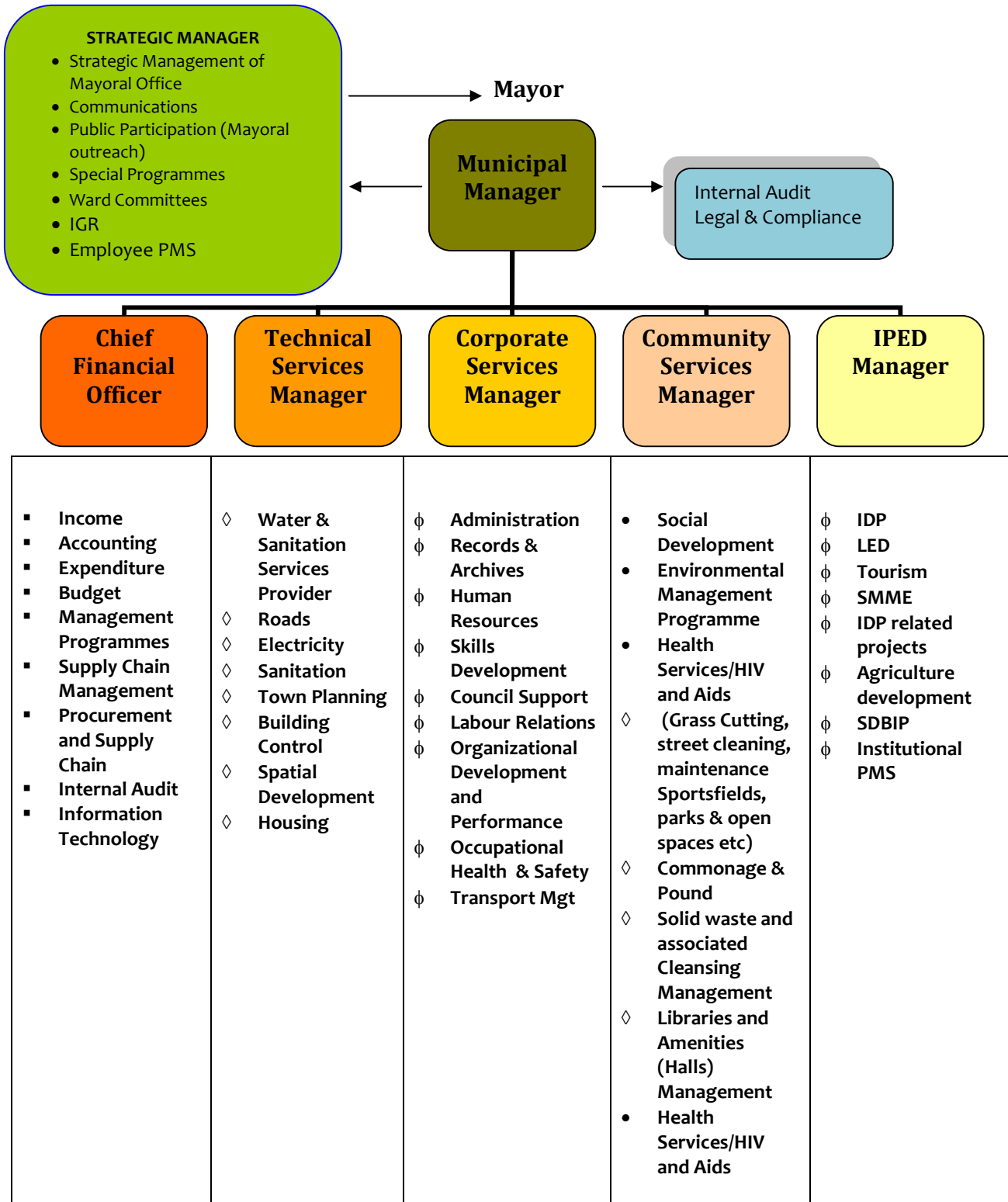
Portfolio Head
Cllr. L. Mapete

Portfolio Head
Cllr. S. Doni

Portfolio Head
Cllr. L. Ngongca

Each department is responsible for developing annual strategic Service Delivery and Budget Implementation Plans, which are formulated and developed from the IDP annual strategic objectives, which will ultimately ensure that the IDP objectives are met as required (through translation into performance targets of individuals). It is the responsibility of this administrative team to ensure that the necessary administrative support and structures are provided in order to ensure that the organizational strategic objectives are met.

The diagram which follows depicts the overall functional structure for Emalahleni Municipality and depicts the general functional areas for each department.



5.2 Public Participation and Consultation

Public Participation is required to be considered in terms of all efforts made to engage with the public, and will therefore include the Mayoral Imbizo's, and public hearings.

- Mayoral Outreach /Imbizo's

Within Emalahleni and as part of the Mayoral Outreach Programme, the municipality held Mayoral Imbizo's in all 16 Wards. It is the intention of these Imbizo's to provide the public with feedback on progress made in respect of the IDP and Budget.

All feedback received and issues raised were then forwarded to the relevant standing committees for attention and then later submitted to Council.

- Public Hearings

A number of public hearings were held during the course of the year with various sector departments, and the areas of focus included municipal by-laws.

- Customer Satisfaction Surveys

The customer satisfaction survey in the form of a questionnaire survey (to be provided to all customers for completion) has been developed and is awaiting dissemination.

5.3 Ward Committees' Establishment and Functionality

Ward Committees have been put in place within all 16 Wards of the municipality. In order to capacitate the ward committees the following programmes were put into place:

- Members attendance to meetings

Monthly meetings are convened for ward committee members, and these are followed by general ward meetings.

- Availability of minutes of Ward Meetings

All ward minutes are required to be submitted to the Speakers Office and remain available from this point.

- Written Proof of Tabling Resolutions to Council

All resolutions taken by Council in respect of Ward Committees are required to remain on record.

- Availability of Minutes of Feedback Meetings with Communities

It was agreed that all minutes regarding ward committee engagements with communities would remain available.

- Availability of Ward Committee Activity Reports

Ward Committees are involved in a number of different activities and reports for these activities are required to remain available.

5.4 Community Development Workers' Performance Monitoring

16 Community Development workers have been deployed by the Department of Local Government and Traditional Affairs in order to engage within community development functions within all of these wards. Notwithstanding, it is noted that the municipality continues to experience difficulties with the monitoring and coordinating of the CDW's activities, as they are required to report directly to province, and this in turn results in these reports not being available and detailing the activities performed by these workers within the municipality.

5.5 Communication Strategy

Development of Strategy

Emalahleni is currently within the infancy stage of a communication strategy. A draft strategy was made available and is awaiting public comment.

Adoption of Strategy

This strategy will be adopted by Council.

Human Resources available to lead the communication activities

The municipality has a Communication Officer responsible to direct and facilitate all communication required activities.

Infrastructural Resources available for communication activities

Infrastructure in terms of administration, staff and procedures have been put into place in order to ensure appropriate and adequate communication strategies.

5.6 Intergovernmental Relations

In an effort to promote and to improve intergovernmental relations the dates for the IGR meeting were circulated to all sector departments during January 2010.

Whilst meetings were scheduled, the challenge remained to ensure that adequate attendance occurred from some departments within the IGR forum. Efforts are currently underway (through the Office of the Premier) to facilitate the required commitment towards attending IGR activities and forums.

Emalahleni Municipality currently enjoys a sound working relationship with Dordrecht Netherlands Municipality. These relations resulted in the signing of a Memorandum of Understanding between these two municipalities which was sanctioned and supported by the Department of Local Government and Traditional Affairs.

The twinning agreement between these two municipalities has centered around the capacity building of Emalahleni Municipality officials on housing related programmes in particular. It has also had as its focus Councillor training which will commence in the new financial year. Annually project planning takes place in order to ensure that planned objectives are realized and in so doing, activities with cross visits between these two municipalities are planned and take place.

5.7 The Integrated Development Plan

As per s34 of the Municipal Systems Act (Act no. 32 of 2000) together with Chapter 2 of the Local Government Municipal Planning and Performance Management Regulations No. 706/2001, Emalahleni Municipality completed its first Integrated Development Plan in 2002 which represented a 5-year strategic plan (reviewed annually).

Following the inauguration of the new Council elected into power in March 2006, the municipality embarked on a process of formulating its Integrated Development Plan, which would then act as a guide in terms of all its planning, budgeting, management and decision making. Once adopted by Council this would remain in effect for the next 5 years as per adjustment in terms of the annual review.

As per the provisions of the Municipal Systems Act, Act 32 of 2000 (s35) the municipality was required to initiate the review of the IDP during November/December 2008 and this was completed according to budget processes and according to the MFMA.

Within the municipality the IDP represents the tool which drive the organization in terms of the final delivery of a strategic plan and objectives. These plans and objectives form the primary basis for the establishment of an appropriate budget, and the planning and provision of required resources will in turn facilitate the achievement of stated strategic goals. Coupled with a performance management system and the appropriate Service Delivery and Budget Implementation Plans, the basic framework exists for the management, implementation and monitoring processes - facilitating the effective achievement and attainment of goals.

Use of these tools ensures that the budget is implemented, performance is monitored and Councils strategic objectives are met.

The IDP Process within Emalahleni Municipality

The development of the IDP within Emalahleni Municipality has involved a number of very distinct processes and phases.

The development and subsequent review of the Integrated development Plan occurs within these critically determined stages, namely pre-planning (a process of meetings, gathering data and determining the areas of need); understanding current development challenges (while taking into account the demographic, service delivery and economic development profiles), together with an institutional and financial viability assessment and the determination of key performance areas (KPA's).

Finally the IDP document is then developed through forecasting (looking into the future) and determining: vision, mission and values; objectives and strategies; key programmes and package projects; integrating sector plans and alignment with the budget; and finally the process whereby the report and framework is produced for the SDBIPs.

The development of the Process Plan for the formulation of this IDP relied heavily on the following institutional arrangements:

- The Municipal Manager is the appointed IDP Manager, who in this case delegated this function and responsibility to Mr. N. Mntuyedwa.

This role involves inter alia:

- Preparing the process plan
- Management and coordination of all IDP processes
- Ensuring that IDP structures are in place
- Ensuring role player involvement
- Chairing the IDP Steering Committee
- Ensuring completion and submission of IDP document
- Ensure that time frames are met and so too quality of outcomes.

- The IDP Steering Committee was set up in order to drive this process and was comprised of middle and senior management as well as Portfolio Heads, as depicted below:
 - Integrated Planning and Economic Development (Mr. N Mntuyedwa)
 - Finance (Ms. M Ludick)
 - Technical Services (Mr. W Mkuyana)
 - Corporate Services (Ms N Lungwengwe)
 - Community Services (NP Mnyengeza)
 - Office of the Municipal Manager (Mr. N Kwepile)
 - Portfolio Heads (Councillors)

Responsibilities of the IDP Steering Committee are inter alia, to assist with the following activities in the following manner:

- Provision of technical support to the IDP
- To conduct IDP planning to facilitate and manage implementation, under the approval of the manager.
- To commission many and varied business plans and feasibility studies for projects;
- To facilitate communication and comment of final and draft reports.

IDP Representative Forum

This forum was established in order to ensure the participation of all municipal stakeholders in the process of municipal planning and decision making that affect our day to day lives as per the requirements of Chapter 4 of the Municipal Systems Act, Act 32 of 2000. It will also be required to give input into the performance management process of the municipality.

These stakeholders, include inter alia;

- Ward Councillors
- Ward Committees
- Traditional Leaders
- Government Departments and parastatels
- Community Development organizations
- Non-governmental organizations
- Youth Council
- Community Policing Forums
- Local Business Chambers
- Unions
- Municipal Speaker
- The Mayor
- Disabled Structures and,
- Woman's Forum

Technical Support Teams

Technical support teams were created in-house to provide technical advice and guidance regarding the process of establishing a Performance Management System, formulating the IDP, its Budget, Financial Plan and the preparation of the Spatial Development Framework.

Appointed service providers would be managed by the relevant municipal department and the service provider would report directly to the relevant cluster. The cluster, in turn, would draw up the terms of reference for the various sector plans that would be undertaken in their area.

As can be seen, every effort is made to ensure that the IDP is formulated with input from all sectors and ensuring that buy-in and commitment towards achieving the IDP objectives, through their translation into annual organization objectives (incorporated into the SDBIPs and scorecards as per the Performance Management System).

The Council, IDP Coordinator, Heads of Departments, Senior Management; IMSS/IDT; Sector Department; National and Provincial Government and sport providers all have their role to play and through this and a Community Participation Strategy every effort is made to ensure that the required milestones are reached. These milestones may be depicted as: developing the budget and IDP Process Plan; Analysis of the Budget and Process Plan; the Strategies and Project and MFMA draft Budget Phase; and the Integration and the Multi-Year Budget Phase.

In this manner the organization is able as a “well – oiled machine” with synergy having been created between the process of strategic planning, setting of performance targets and performance plans, and the monitoring, assessment and the management of performance.

5.8 Legal Matters

5.8.1 Setting up of legal units

The municipality has dealt with legal matters on an internal ad hoc basis with various managers per department attending to legal matters as they arise. This has led to a disorganized and uncoordinated manner of managing legal matters within the institution. The organization identified this as a major weakness affecting its efficient functioning and arising from this the Council created a part-time Legal and Compliance Manager’s post in order to address this weakness. The position is currently occupied by a single person who is employed for 10 days a month. This post was filled on the 1st March 2010, and feedback indicates that the impact and effect of the new post reporting to the Municipal Manager has been immediately felt across all divisions of the institution. The coordinated management of legal affairs and the availability of the manager to advise both Management and Council has had a positive impact on the

institution. It is further Council’s plan to further empower this position, to allow for support staff and the development of this post into a full time post during the next financial year.

Compliance

The Municipality has identified the need to address the various aspects of legislative compliance required. The drafting of a compliance calendar and implementation thereof within the Departments is currently being addressed. The preparation of managers and employees to understand the compliance requirement and its implications for the Municipality, its effective functioning and service delivery to the community has been identified as an important aspect to be addressed to ensure that there is a full grasp and understanding of the requirement and so that compliance does not simply occur for compliance sake. A number of weaknesses in compliance in respect of timelines and reporting procedures for the Budget, IDP and in terms of the MFMA have been identified and a process plan to address them is being developed.

Legal Providers

The Municipality does not have a specific appointed Legal Services provider but utilizes the services of various firms of attorneys on a needs basis case by case.

NAME OF FIRM	LEGAL FIELD
Kirchmann’s	Labour Law
Smith Tabata Inc.	General Legal Matters
Bowes McDougall Inc	General Legal Matters
Zepe and Associates	General Legal Matters
Van Niekerk Attorneys	General Legal Matters
Hutton & Cook	Conveyancing
Brezh Sharpley	Conveyancing

5.8.2 Management of Litigation

5.8.2.1 Case load management with specific reference to

A number of cases are currently in progress so these are not able to be judged as being favourable or not. The cases that have been resolved have been dropped or there has been failure to pursue further --- these are regarded as favorable.

a. Favourable cases

CASE NAME	RECOVERY YES /NO	REASONS FOR NON RECOVERY
A.L. Van Heerden	No	No progress
Mahola Mthandazo Theo	No	Case dropped against municipality after response
Qomoyi Water Services	No	Default judgement was rescinded

b. Unfavourable cases

CASE NAME	RECOVERY YES/NO	REASONS FOR NON RECOVERY
<i>Ikamva Construction</i>	N/A	<i>Case in progress</i>
HOCO	N/A	<i>Case in progress</i>

5.8.2.2 Case Age Analysis

CASE NAME	NATURE OF THE CASE	COMMENCEMENT DATE	CASES OF 2 YEARS OR LESS	CASES OLDER THAN 2 YEARS	REASONS FOR EXTENSIVE DURATION
Weirs Dordrect	Letter of demand	24 June 2010	Paid and resolved		
Queen Motor Spares	Final Notice	27 May 2010	Paid and resolved		
LRC Grahamstown	Demand – Release of Stock	26 May 2010	Resolved – not Municipality		
Public Protector	Complaint – Kleinbooi - Pension Benefit	4 May 2010	Resolved and reported Matter sorted out years ago Information incorrect		
T Samuel	Outstanding payment – settlement	25 May 2010	Resolved - Matter underpaid		
George and Others	CCMA Challenge to s57 contract ending			Contract expired 2007	Matter pending with CCMA for Arbitration Labour court recently denied application to overturn condonation

CASE NAME	NATURE OF THE CASE	COMMENCEMENT DATE	CASES OF 2 YEARS OR LESS	CASES OLDER THAN 2 YEARS	REASONS FOR EXTENSIVE DURATION
CCMA / Malotana	Con/Arb	March 2010	Settlement reached re employment of employee		
Hoco- Fencing claim	Summons – Civil Trial		Awaiting trial		Matter pending due to unavailability of witnesses and counsel. Trial set 10 November 2010

5.8.2.3 Judgment Defaults

CASE NAME	REASONS OR DEFAULT JUDGMENT
DG Labour P391/2009 Employment Equity Non Compliance	The matter has been handed to Kirchmann's for a rescission of the order incorrectly granted as the institution had complied and submitted the report. Service was also not done on the institution.

5.8.2.4 Prevention mechanisms of current litigations

The current litigation matters are for the most part matters where action was instituted against the institution causing the institution to file its intention to defend. Other matters in the current litigation arise from contractual disputes and/or enforcement of contractual obligations due to non-performance.

The legal services department has a proactive plan to possible litigious matters allowing for discussion and interaction with the other parties and their legal representatives. However there are certain matters in which the institution is by law obligated to act in the protection of its rights and duties as a government institution.

5.8.2.5 Criminal matters emanating from corruption and fraud

The Municipality is currently the complainant in two separate criminal matters in the Lady Frere Magistrate's Court, pertaining to alleged Fraud and Corruption involving two employees. These cases are still pending and close collaboration is maintained with the Office of the Public Prosecutor.

5.8.3 Management of Legal Risks

The municipality has workshopped and adopted the following policies during the year under review:

- Emalahleni Municipality Risk Management Charter
- Emalahleni Municipality Risk Management Strategy
- Emalahleni Municipality Fraud and Anti-Corruption Policy
- Emalahleni Municipality Fraud Prevention Plan

CHAPTER 6

FUNCTIONAL AREA SERVICE DELIVERY REPORTING

6.1.1 OFFICE OF THE MAYOR/MUNICIPAL MANAGER

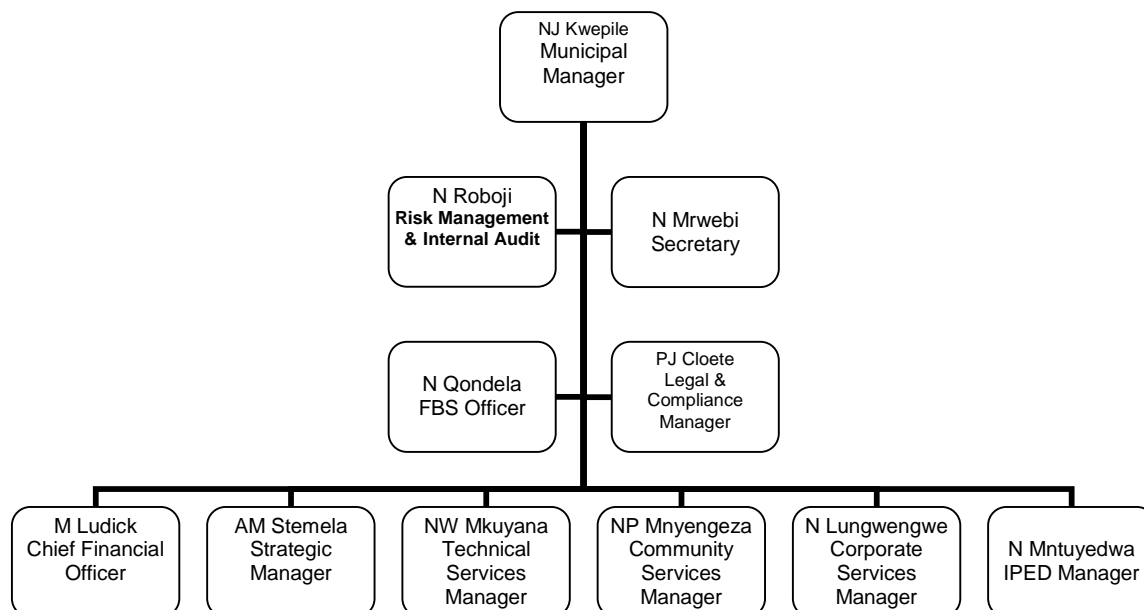
Municipal Manager: Mr. N.J. Kwepile
Strategic Manager: Mr. A. M. Stemela

Mayor's Office & Municipal Manager's Strategy Statement

“The Mayor's Office and Municipal Manager's Office” (incorporating the roles and responsibilities of the Strategic Manager, undertake to deliver on the following:

- ◇ To enhance public participation in municipal programmes through Mayoral Imbizo's, forums, door-to-door campaigns, Council meetings and the like; and
- ◇ To maintain effective and dynamic contact with all spheres of government (including sector departments, NGO's, FBO's, CBO's as well as private partnerships)”

TOP MANAGEMENT STRUCTURE



Functional Responsibilities

- Public Participation
- Management of Ward Committees
- Functioning of Community Development Workers
- Maintained and managed twinning relations between Emalahleni Municipality and Dordrecht Municipality of the Netherlands;
- Internal and External Communication;
- Internal Relations;
- Intergovernmental Relations;
- Internal Audit; and
- IDP and Performance Management

Overall Objectives for 2009/2010

- Develop and obtain approval for a Public Participation Framework for further implementation;
- Facilitate effectiveness of Community Development Workers function;
- Maintain and improve twinning relations between Emalahleni Municipality and with Dordrecht Municipality of the Netherlands;
- Facilitate improved communications both internally (within the organization) and externally with all forums (related government and non-government organizations, departments and related parties);
- To strengthen the Speaker's Office through the compilation of a Public Participation Plan and by facilitating the Mayoral Imbizo programme;
- Ensuring that all Special Programmes Unit projects are addressed appropriately as planned (Youth, Women, Elderly and mainstreaming HIV/Aids);
- To facilitate the functioning of the Ward Committees; and to assist with
- The Mayoral functioning overall at an administrative level.

PERFORMANCE REPORTING AND CHALLENGES

Within each area, comments will be provided regarding the achievement of significant targets whilst highlighting significant challenges:

Mayoral Imbizos

As planned and as part of the Mayoral Outreach Programme, the municipality held Mayoral Imbizo's in all 16 Wards, and accordingly these Imbizo's were utilized to provide the public with feedback on progress made regarding the IDP and Budget. Information and feedback received were then forwarded to the relevant standing committees for attention and then later submitted to Council.

Although great strides have been made in enlisting public support and greater attendance has been observed at these imbizos; encouraging and enlisting public support and attendance will remain an ongoing challenge.

To additionally noted: DPHLG advised that Emalahleni in the CHDM is the best performer in the area of governance in the CHDM area. As Emalahleni Municipality falls within the CHDM this remains a positive comment.

Public Hearings

During the course of the year public hearings were held with various sector departments, and in the areas of discussion and focus included municipal by-laws. The challenge (as with the Imbizos') will always translate to efforts to ensure ongoing participation and support.

Ward Committees

In an effort to improve the effectiveness of Ward Committee functioning, it is noted that Ward Committees have been established in all 16 Wards. Through formalized training and development within this area every effort is being made to increase efficiency and effectiveness of functioning by adhering to all prescriptions regarding meeting attendance, and reporting and administrative functions.

Difficulties are at times experienced regarding meeting attendance which may in part be due to the geographical terrain and spread which makes meeting attendance a challenge in the absence of a suitable vehicle for transportation.

Community Development Workers' performance Monitoring

Community Development workers have been deployed by the Department of Local Government and Traditional Affairs in order to engage within community development functions within all wards.

It is noted that the municipality continues to experience difficulties with the monitoring and coordinating of the Community Development Workers activities, as they are required to report directly to province. This arrangement results in the CDW's not being available or directly accountable to the municipality, which makes performance management a real challenge, and thereby goal setting, and performance management in relation to this. This issue is to be raised and further addressed in the new financial year.

Communication Strategy

Currently a draft Communications Strategy is in place and this has been circulated for comment.

It is anticipated that this Communication Strategy will be adopted by Council by March 2010.

The Municipality is in possession of a Communications Officer position (reporting to the Strategic Manager), In order to ensure that all communication required activities are directed and facilitated appropriately.

It is noted that infrastructure in terms of administration, staff and procedures have been put into place in order to ensure appropriate and adequate communication strategies, however increased funding will always facilitate more effective management of this process.

Intergovernmental Relations

In an effort to promote and to improve intergovernmental relations, the dates for the IGR meetings were circulated well in advance to all sector departments during January 2010. Notwithstanding, only 2 out of 4 IGR meetings were held and the required 3 partnerships (identified as part of the annual target) were not established and therefore not achieved.

Emalahleni Municipality currently enjoys a sound working relationship with Dordrecht Netherlands Municipality. These relations resulted in the signing of a Memorandum of Understanding between these 2 municipalities which was sanctioned and supported by the Department of Local Government and Traditional Affairs.

In essence this twinning agreement has focused on the capacity building of Emalahleni Municipality officials on housing related programmes and Councillor training, and the training programmes are well underway. Annual project planning occurs in order to ensure that planned objectives are realized with appropriate cross visits between these two municipalities.

Whilst meetings are scheduled, the real challenge is to ensure adequate attendance by some departments within the IGR forum. Efforts are currently underway (through the Office of the Premier) to facilitate the required commitment towards attending IGR activities and forums.

Special Programmes (Youth, Disabled, Gender, Children, Elderly, HIV & AIDS and Combatants)

At this time the emphasis has been on mainstreaming of HIV/AIDS and accordingly it is noted that the HIV/AIDS Strategy has been tabled by Council. All projects relating to the remaining targets have been launched, however great challenges exist with the children and disabled structures and the Youth Forum is particularly dysfunctional.

It must be noted that the greatest change within this project is to ensure and harness support on all levels (internally and external to the organization) and to ensure that these translate into lived values at every level.

IDP and Performance Management

The IDP (managed through the IPED Department) was reviewed with public participation, and input from all departments. Alignment between the IDP and Budget occurred and was instrumental in forming the strategic scorecard and the Service Delivery and Budget Implementation Plans for each department. These annual targets were translated further into performance scorecards for the 56 managers, and performance agreements were signed for all. PMS was not fully applied and not all assessments were completed. The PMS Framework is required to be reviewed and a PMS Policy developed and approved to accommodate all changes.

In order to assist with reporting at so many different levels, efforts were made to reconfigure reports such as the 46 report, so that these would be aligned to the National Indicators, and in so doing, so were the Performance Scorecards.

The final performance assessment has been conducted and deserving managers were awarded with bonuses as per the approved system.

Refinement will occur moving forward, so that the Performance Management System and Policy is able to be cascaded throughout the organization in a planned and coordinated manner.

Internal Audit and Legal and Compliance

The Internal audit is currently a shared function that provides ELM with an Audit Committee provided by Lukhanji Municipality (and shared with Sakhisizwe Municipality and Elundini Municipality). Notwithstanding great efforts and progress was made in establishing an Internal Audit Unit and an Internal Auditor was appointed, and an Internal Audit Plan developed and approved by the Audit Committee. Quarterly reporting is an area where improvement is still required, but overall in all efforts to ensure compliance it is acknowledged that great progress has been made.

Compliance Manager was appointed (initially for a period of 10 days per month) and great success has been made with the development of a compliance calendar, as much success has been achieved from this appointment, the position was made part of the permanent staff establishment during August 2010.

As a result of the appointment, compliance and legal issues generally are being managed more effectively.

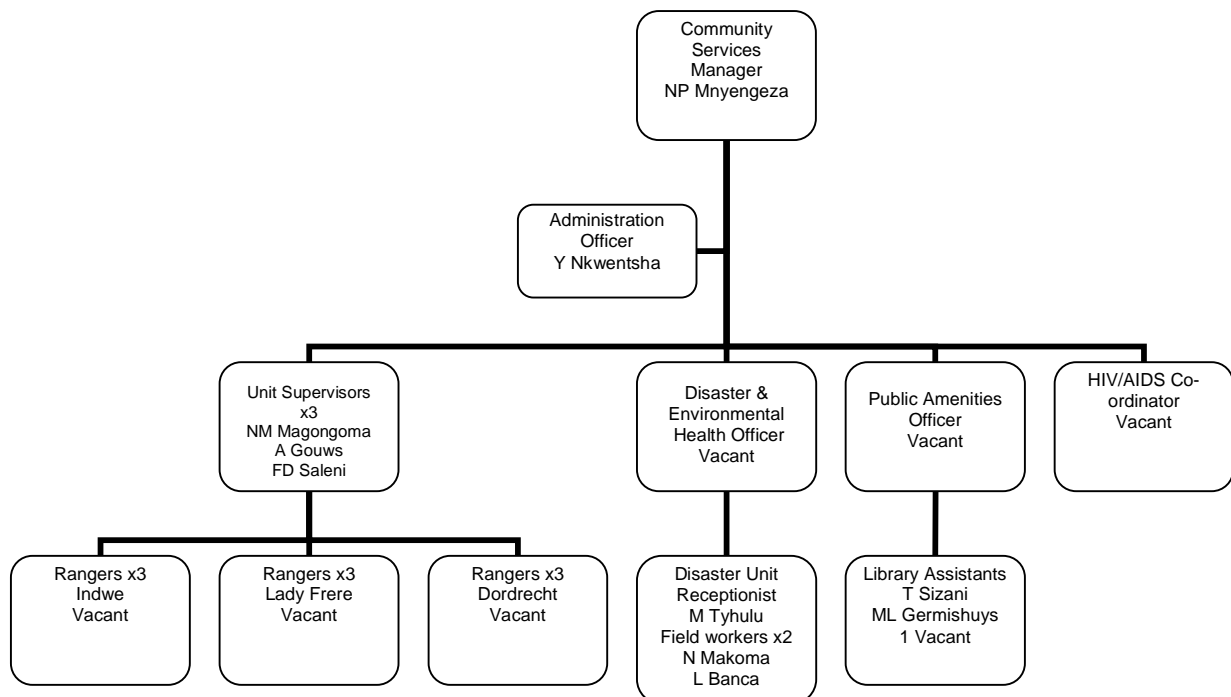
6.2 Community Services Department

Community Services Manager S57 Manager: N.P. Mnyengeza

Strategy Statement

The Community Services Department derives its mandate from the South African Constitution, Act 108 of 1996, S152 (b) and (c) which is to ensure the provision of services to communities in a sustainable manner and to promote a safe and healthy environment.

COMMUNITY SERVICES DEPARTMENT STRUCTURE



Functional Responsibility

- Health Services
- Mainstreaming HIV/AIDS
- Disaster and Environmental Health
- Library provision
- Community Halls
- Sportsfields
- Cemeteries
- Parks and Public Open Spaces
- Street Cleaning and Refuse Removal
- Refuse/Dump Sites

Overall Objectives 2009/2010

- Coordination and collaboration with other Health authorities in determining a health policy and rendering primary health services
- Mainstreaming HIV/Aids
- Effective management of all matters pertaining to offensive trades
- Management of all matters pertaining to cleansing within the Municipal area
- Implementation of Acts and Ordinances relating to cemetery operation
- Security relating to Council premises
- Fire Fighting Services (function of the CHDM – supported by CHDM)
- Child care facilities
- Facilitation of accommodation, care and burial of animals,
- Pounds,
- Disaster management ;
- Sports and sporting events;
- Culture and cultural matters and
- Management of libraries, halls and public spaces

PERFORMANCE REPORTING AND CHALLENGES

The provision of functional services within these areas will be examined more thoroughly under each area below as follows:

Libraries

The overall objectives of this function are to provide reading and study material amongst the youth and for the community. Currently 3 libraries are being managed in Dordrecht, Indwe and Rietspruit (in Umhlanga) on behalf of the Department of Sports, Arts and Culture.

In terms of the main functions of library provision, the following activities were required to be undertaken by the librarians and library assistants:

- Library infrastructure provision
- Purchase of library materials
- Sourcing books from the book fare
- Promotion and participation in the library week activities and;
- Promotion of libraries within rural areas

Currently two library qualified librarians and two library assistants are running the libraries. A new library has been established in Umhlanga, Rietspruit. Negotiations are currently underway for the establishment of a library in Lady Frere.

Community Halls and Recreational Facilities

During this financial year our area of priority was the establishment of recreational facilities that generally included public halls, parks and sports facilities.

It was required that:

- Sports codes be determined based on communities needs within various Wards;
- Appropriate land be developed and acquired;
- Funding be negotiated for the development from National, Provincial and CHDM structures;
- Business plans be developed for appropriate development; and
- Sustainability plans be developed with community involvement

Currently the Community Services Officer (Public Amenities) has been appointed. The Youth Centre in Dordecht has been renovated. Resources have been allocated for the provision of playing fields in the 10 out of 16 Wards of Emalahleni. This process is within its final stages, and the 16 wards have been duly catered for.

Cemeteries

The overall objectives of this function are to provide and control burials within the framework of the Health Act. Land for cemeteries was provided within the three towns of Dordrecht, Lady Frere and Indwe and these are required to be managed and maintained on an ongoing and sustainable basis.

Emalahleni Municipality graves are numbered and registered to the community as needed. New sites have been identified and an Environmental Impact Study was completed for Dordrecht and Indwe, in order to ascertain existing sites and where possible procure additional sites and land. Notwithstanding it must be noted that these processes are to a large extent out of the control of Emalahleni, who rely on the Department of Land Affairs. Land was not acquired for Indwe due to a dispute over the land offer (handled by the Department of Land Affairs).

General Objectives remain:

- Development of Pauper Burial Policy;
- Adoption by Council of additional sites for cemeteries in all towns;
- Acquisition of land from the Department of Land Affairs;
- Development of by-laws for Council resolutions;
- Promulgation of by-laws in the local papers and local radio stations; and
- Ensuring adequate infrastructure provision.

The greatest challenge remains funding, and obtaining and developing appropriate sites while ensuring staff capacitation at all levels and within all areas to ensure that staff function optimally.

Parks and Recreation

The overall objectives of this function are to provide and maintain parks and open spaces thereby creating a pleasant environment for the communities, contributing towards global “greening” and to maintain sidewalks and pavements. Due to budget constraints, two parks were not fully functional by June 2010 as planned.

General objectives were achieved and are reflected on as follows:

- The pruning of the trees along municipal streets within Emalahleni Municipality;
- Regular cutting of grass on sidewalks and open spaces as per maintenance and cutting schedules; and
- Tree cutting as per schedules.

3 Sporting facilities exist which provide a service to 102 000 users.

With funding that was made available within the 2009/2010 budget for the development of 10 new sportsfields in within the rural areas and this was achieved.

Commonages

Commonages and Pounds are required to be managed.

Currently, the Municipality is in the process of establishing a stock pound in Dordrecht and it is hoped that this will somehow enhance Municipal revenue. Rangers have been appointed to make sure that stray animals are removed from our towns and the Municipality is in the processes of establishing a commonage register that will ensure effective management of the municipal commonages.

It is noted that:

- Commonages were fenced as per maintenance plans and it was required that farms and suitable lands be procured for commonage users as these commonages are over grazed.
- Pound masters and rangers were appointed to facilitate the commonage maintenance process.

Waste Management: Solid Waste Section

Within this section, great success has been achieved within the following areas:

- Refuse was regularly removed from commercial business (twice a week);
- Household refuse was removed by the Municipality at least once a week as per target and success was achieved; and
- Clearing of illegal dumping in open spaces was conducted.

General Comments and Challenges

An environmental impact assessment study was conducted by the Department of Environmental Affairs to establish the status and location of the current dumping sites within the municipal area. The outcome showed that none of the 3 sites were licensed. Provision in the Annual Financial Statements now exists to rehabilitate 3 dumping sites and funding from the District Municipality is available to compile business plans for waste management in the municipal area. The 3-landfill sites in the Municipality are all not licensed. The municipality has now taken a route of converting the two sites, in Dordecht and Indwe into collection points, and has established a legal landfill site in Lady Frere. This process has already begun. A service provider is to be appointed for the identification of the site and the feasibility study. A tender has been advertised.

Pounds

The municipality does not currently have pounds but negotiations are currently underway with the Department of Transport in an effort to motivate for funding to establish pounds.

Currently rangers are deployed by the Department of Transport to assist in the removal of animals along the main roads leading to and from Lady Frere and Dordrecht. Stray animals are transported to Lukhanji pound in vehicles by the Department of Transport and income received as a result is provided to Lukhanji Municipality.

Health (Clinic) Section

This service is responsible for the provision of Clinic Services. The function for the provision of community health clinics within the municipality is administered as follows:

- Agency relationships exist with the Provincial Department of Health, of the Eastern Cape;
- Unit management including in-service training to staff occurred in respect of:
 - Reporting daily activities
 - Monthly reports/statistics
 - Quarterly reports
- Optimal primary health for all citizens is advocated;
- Investing in the training of staff in order to ensure development of skills and thereby contributing towards quality in-service delivery is paramount;
- Regular HIV/Aids forum meetings were held;
- Training of HIV/Aids peer educators occurred;
- A water quality monitoring programme by the Joe Gqabi District Municipality and the provision of related reports were provided; and
- Inspection of business premises to ensure food preparation is done within the parameters of health requirements. This is currently completed by the Municipal Health District Municipality and reports provided as required.

HIV/Aids Mainstreaming

The HIV/Aids Strategy has been approved by Council. In efforts to revive and ensure success of this strategy councillors were workshopped on this plan. The AIDS Councils are in the process of being revived within all Wards (through training and participation initiatives) in order to ensure the successful implementation of these projects.

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Disaster Management

The Municipality does not have a Disaster Management Policy Framework. Currently the Municipality is making use a Chris Hani Disaster Management Framework. There is a need for the Municipality to develop its own framework.

Community Services: Statistics on Facilities

Facility	No of Facilities	No. of Users	No. of Employees	Cost R(000)
Library Services	2	530	2	330
Museums and Art Galleries	0	0	0	0
Other Community Halls /facilities	10	3000	10	803
Cemeteries and Crematoriums	6	102 000	4	280
Child-Care (including crèches)	178	5 000	0	0
Schools	119	17 850	0	0
Sporting Facilities	3	102 000	3	197
Parks	500	60 000	1	-

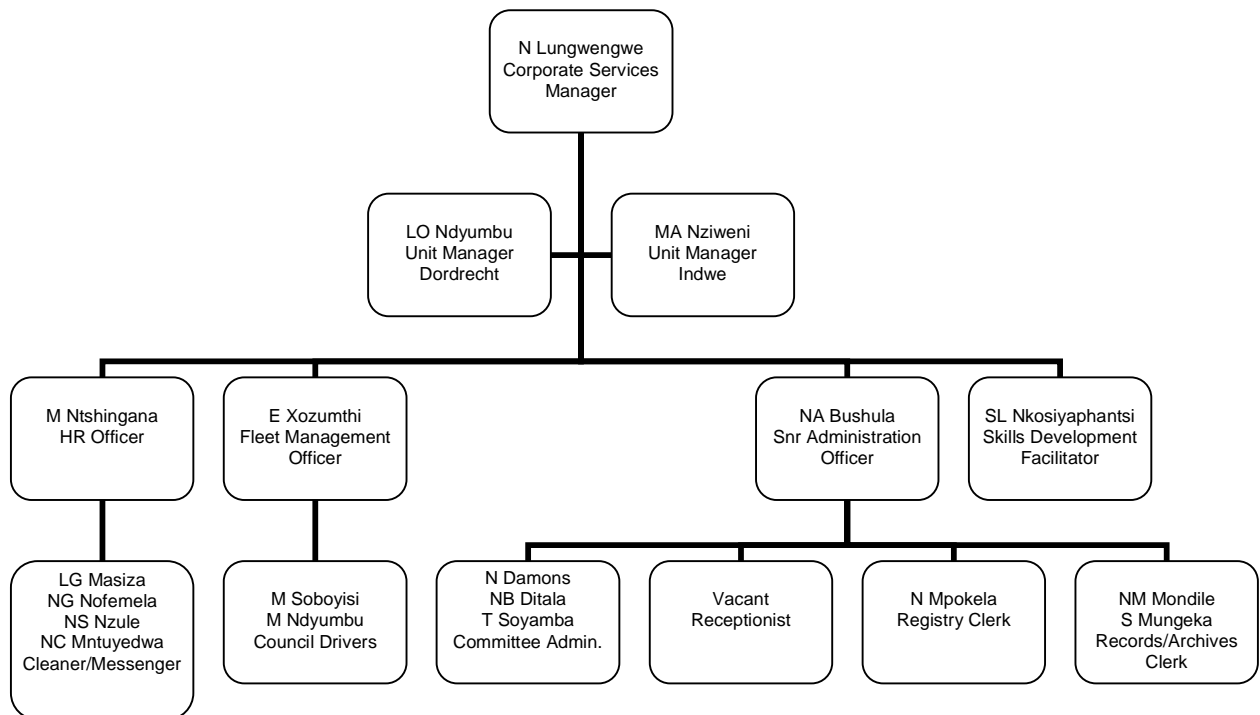
6.3 CORPORATE SERVICES DEPARTMENT

Corporate Services Manager Ms N. Lungwengwe

Strategy Statement

As Corporate Services Department, our commitment remains to provide the highest quality of human resources support for all departments within Emalahleni Municipality. We undertake to capacitate Councillors and Administrative staff in order to deliver improved and sustainable services so that the Municipal Mandate is fulfilled and to promote public participation through two-way communication.

CORPORATE SERVICES STRUCTURE



Functional Responsibilities

- Human Resources (Benefit Administration; Recruitment & Selection; Organisational Development and Structure; Staff Provisioning; Employment Equity; Employee Assistance Programmes; Policy and Development and Legal & Compliance Management);
- Labour / Employee Relations (ensuring effective application of LR Policy and Practices);

- Occupational Health and Safety (ensuring compliance with Occupational Health and Safety Act, Act no. 85 of 1993);
- Skills Development and Employment Equity Act (ensuring compliance with both pieces of legislation);
- Customer Satisfaction Surveys; and
- Corporate Governance and Legislative Compliance Management

Overall Departmental Objectives

- Customer satisfaction;
- Legal support and compliance management (By-laws, Policy Management and legislative compliance);
- Council administrative support;
- Knowledge management administrative support;
- Human resource development and management support;
- Performance Management System support;
- Information and Communication Technology Support;
- Employment equity support and application; and
- Performance Management facilitation.

PERFORMANCE REPORTING AND CHALLENGES

Within each area, comments will be provided regarding achievement of significant targets, whilst highlighting significant challenges.

Human Resources

- Recruitment and selection is applied with strict adherence to the Provisioning Policy;
- The Workplace Skills Plan (WSP) was developed, after ascertaining annual training and developmental needs within departments . This has been successfully applied as evidenced by the submission of the WSP, and two implementation reports which were submitted timeously to the LGSETA.
- The Employment Equity Plan was updated and submitted to the Employment Equity Registry by 1 October 2009.
- The organogram has been updated and aligned to the IDP and Job Descriptions developed for all positions on the structure. These in turn have been evaluated and benchmarked according to the TASK system of evaluation.
- Notwithstanding the benchmarked results, the nationally approved salary/wage curve from the SALGBC has not been applied due to inconsistencies and lack of evaluations concluded by the PJEC.
- Identified policies and procedures have been updated and workshopped to Council prior to adoption.

- Eight interns were appointed as required.
- The electronic clock in system could not be implemented due to incapacity of the Service Provider. To be addressed in 2010/2011
- An electronic Leave Management System is being applied through SEBATA and so too the related electronic HR system relating to payroll and leave administration.
- Scarcity of skills will be addressed by the HR and Retention Strategies that were adopted by Council in May 2010.

Labour/Employee Relations

- Legal matters are being monitored more effectively in-house and in respect of issues that are taken to CCMA. Notwithstanding, it has become very apparent that the capacity of supervisory and senior staff within the area of labour relations is required to be enhanced through appropriate training and development interventions.
- Staff do not always follow policies and procedures (LR /Compliance) and every effort will be made to attempt to remedy these issues.

Occupational Health and Safety

- Compliance in respect of the Occupational Health and Safety Act, Act no. 85 of 1993, remains an ongoing challenge, and requires stricter controls to be put in place to ensure that the Act is strictly applied in terms of compliance.
- Health and Safety Committees have been formed, and are held regularly as required.
- OHS compliance and assessment forums and reports are to be examined in order to establish how and when reporting must occur in order to ensure compliance.

Skills Development and Employment Equity

- This section has been operating most effectively, the Training and Employment Equity Committees have been meeting, although it may be required that these two combine, so as to increase the functionality of these committees
- 100% of the training budget has been spent as required on planned training.
- The WSP was developed and approved for 2009/2010 and implementation plans were submitted during June and September.
- The SDF was appointed and the skills analysis exercise completed as required
- In-Service programmes are implemented and 8 interns were appointed for the current year.
- The Employment Equity Report was submitted, in the required legislated format.

Council Administration

- All administrative requirements in respect of Council Minutes, Agenda, and planning occur in the manner required and prescribed.

- A Document Management System has been effectively implemented in order to ensure better management of document management and archives, after capacitating staff and developing updated policies and procedures in this regard.
- Status reports in respect of Council Resolutions were provided to the Municipal Manager quarterly.

Corporate Governance and Compliance

- Recognizing the need to ensure the need that all compliance and legal issues are dealt with timeously and correctly, as of 1 March 2010, a part-time Legal and Compliance Manager was appointed (for a period of 10 days per month). From the success of this appointment, it is the intention to appoint a full time candidate within this position during the new financial year.
- All prescriptions regarding Conditions of Service from SALGBC are applied to the letter.
- As a result of the part-time appointment, compliance and legal issues generally are being managed more effectively, and all the labour cases were resolved;
- Great success has been made with the development and implementation of the Compliance Calendar; Noted the post has since been made part of the permanent staff establishment.
- Success was not achieved with the Customer Satisfaction Survey – the questionnaires being required to be distributed. Although the Ward Councillors did engage in the distribution of questionnaires, this was not done effectively. Not have received sufficient of the completed questionnaires, the appropriate study and analysis could not be done.
- All by-laws (existing) were reviewed as planned and approved by Council (therefore being gazette by Council) – no new by laws reviewed during the year under review .
- Training in respect of all new guidelines, policies and by-laws has been scheduled and has occurred as required.
- All contracts of employment have been reviewed, updated and re-signed as and when appropriate.

Customer Satisfaction

A customer satisfaction survey was developed and takes the form of a survey questionnaire, which was to be provided to all customers for completion. This was developed and distributed by Ward Councillors but was unsuccessful overall as feedback questionnaires were not effectively managed and as far as returns so that appropriate analysis could occur and be translated into future action to address issues raised.

6.4 IPED Department

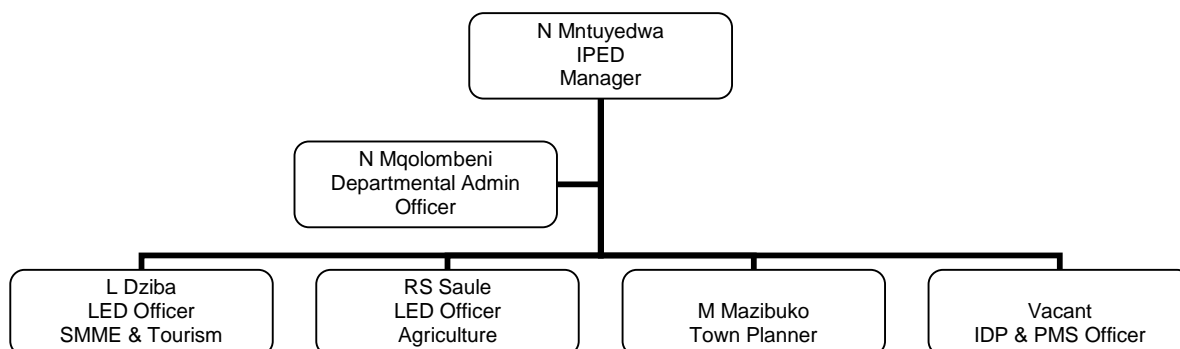
IPED Manager S57 Manager: N Mntyedwana

Strategy Statement

The IPED Department is based on the mandate given to local government by s152, Act 108 of 1996 (Constitution). In terms of this, local government is required to structure its administration in such a way that social and economic development is promoted. Local government is therefore responsible to ensure that resources (human, technological, environmental and financial) are organized in such a way that jobs are created and poverty is reduced.

The LED Strategy is currently in its final stages of development and this together with an implementation plan is due to be approved 2010/2011.

INTEGRATED PLANNING & ECONOMIC DEVELOPMENT FUNCTIONAL STRUCTURE



Functional Responsibilities

- IDP and Performance Management
Note: IDP Coordination is conducted within the IPED Department, however due to capacity limitations and staffing within IPED, PMS is driven within the Municipal Manager/Mayor's office by the Strategic Manager.
- Local Economic Development
- Tourism Development and Promotion
- Agriculture Development
- Town Planning and Regional Planning
- SMME Development

Overall Objectives 2009/2010

- Establishment and functionality of the LED Unit;
- Developed and implemented LED Strategy;
- LED Stakeholder Forum functionality;
- Tourism Development and Promotion in respect of planned projects and the establishment of the Emalahleni Tourism Association;
- Agricultural development in respect of the livestock and Sorghum projects;
- Establishment and functioning of the Emalahleni Business Chamber;
- Improved Public and Market confidence regarding the development of the Spatial Development Framework;
- Improvements in the turnaround time for licensing and other business related applications;
- The development and application of investment and trading by-laws;
- The provision and maintenance of quality and reliable infrastructure relating to Roads and Market places; and
- IDP facilitation and coordination.

PERFORMANCE REPORT AND CHALLENGES

Each area will be examined in more detail below as follows:

Integrated Development Plan and Performance Management

The IPED manager is required to ensure that the facilitation of the IDP projects occurs and as such it is required that all IDP and other agency-related projects are both managed and reported on in the manner required. As indicated while the Strategic Manager would facilitate Performance Management institutionally, the IPED Manager is responsible to ensure that all the performance related information is collated for the IPED Department and submitted to the Strategic Manager (such as SDBIP's, implementation of Performance Management and Performance

Local Economic Development, Tourism and Agriculture

LED remains a huge challenge for Emalahleni Municipality. The LED Strategy is in draft and feedback has been received from stakeholders in order to address issues and identified gaps within the draft strategy (especially in respect of coal mining). It is envisaged that the LED Strategy and Plan will be finalized early within the new financial year, which in turn will facilitate the development and effectiveness of the IPED Department (and LED in particular).

- It has been acknowledged that critical skills are lacking and required to be addressed within LED, and these are defined more specifically as:
 - Public Management;

- Facilitation and Communication in LED;
- LED Management Skills;
- SMME's Development;
- Tourism Development;
- Town and Regional Planning; and
- Municipal Planning (in order to aid the IDP Review).

More specifically the following issues are required to be coordinated:

- Provision of input into the development of the annual review of the IDP;
- Public Participation in respect of IDP and Performance Management (departmentally) through SDBIP reporting and public hearings;
- The involvement of both external and internal role-players within the IDP process;
- Coordinating of continuous improvement in respect of the IDP process – coordination and integration; and
- Provision of monitoring, support and reporting on the implementation process. (IDP and Performance Management compliance related issues)

As indicated, PMS is handled by the Municipal Manager's/Mayors Office. A number of challenges present themselves, not the least of which are the following:

- The availability of LED expertise
- Funding constraints continue to be a challenge as there is little budget provided for the review of the IDP and related processes.
- Existing projects have continued as per the SDBIP's (i.e. as planned projects).
- The challenges of monitoring and implementing all IDP & PMS compliance issues where little data has been present and inaccurate/non existent monitoring statistics are available.

Local Economic Development, Tourism and Agriculture

The Local Economic Development Division is fairly new in terms of structure and efforts have only recently been taken to develop this Division.

A lack of formal budgetary provision and the resultant lack of financial resources for LED were definitely contributing factors for this Division not developing and becoming as functional as required.

The 2009/2010 period heralded the appointment of LED Officer and Town Planner, who have greatly assisted with the management of these functions.

The following funding opportunities for LED activities were identified for this period:

- Abathembu Callabach (Department of Tourism);
- Xonxa Aqua Culture Project (Department of Tourism);
- Sorghum Production Programme (CHDM);

- Spatial Development Framework (Department of Rural Development and Land Reform);
- LED Strategy (ELM); and the
- Livestock Marking Programme (ELM).

Many challenges and in some instances progress has been made in respect of LED, not the least of which are detailed as follows:

- The LED Stakeholder Forum is currently dysfunctional but efforts are being made to try to revive it through meeting with various business and sector structures;
- Bureaucracy (red tape) regarding Supply Chain issues is impeding progress, although policy supports development of SMME's;
- The finalization of the Spatial Development Framework has not been concluded;
- Donor funding and the haphazard manner in which payments are made (not timeous) has caused delays;
- Investments and trading by-laws are being kept current and developed as required;
- It is noted that streets have been resurfaced and an effort is being made to improve infrastructure (erection of Hawkers Stalls and the like), although this is still work in progress;
- ELM has worked with the Department of Economic Development & Environmental Affairs and ECDC to assist small projects to be registered as cooperatives, although progress is slow due to delayed responses;
- The Liberation Route for Tourism was established in June 2010;
- Tourism has achieved a degree of success with projects, however Tourism has not achieved the levels required due the fact that the ELM Tourism Association has not been established;
- Small businesses (approximately 90%) have not been successfully registered on the ELM database (due to a lack of participation within the Business Forum of ELM);
- Emalahleni Business Chamber is in place and is soon to be launched;
- The Community Trust has been established in ELM;
- Brick-makers were not registered due to general lack of cooperation;
- Great success was achieved within Sorghum production targets and the targets relating to the Livestock Improvement Programme, and PPP Partnership have been successfully achieved;
- Through the Extended Public Works Programme, a number of new employment opportunities have been created; and
- Social Investment Programmes have been undertaken in respect of cooperatives, small business associations and the Unemployment database (which is still being developed).

As the LED competency grows with time and experience greater targets will be able to be achieved.

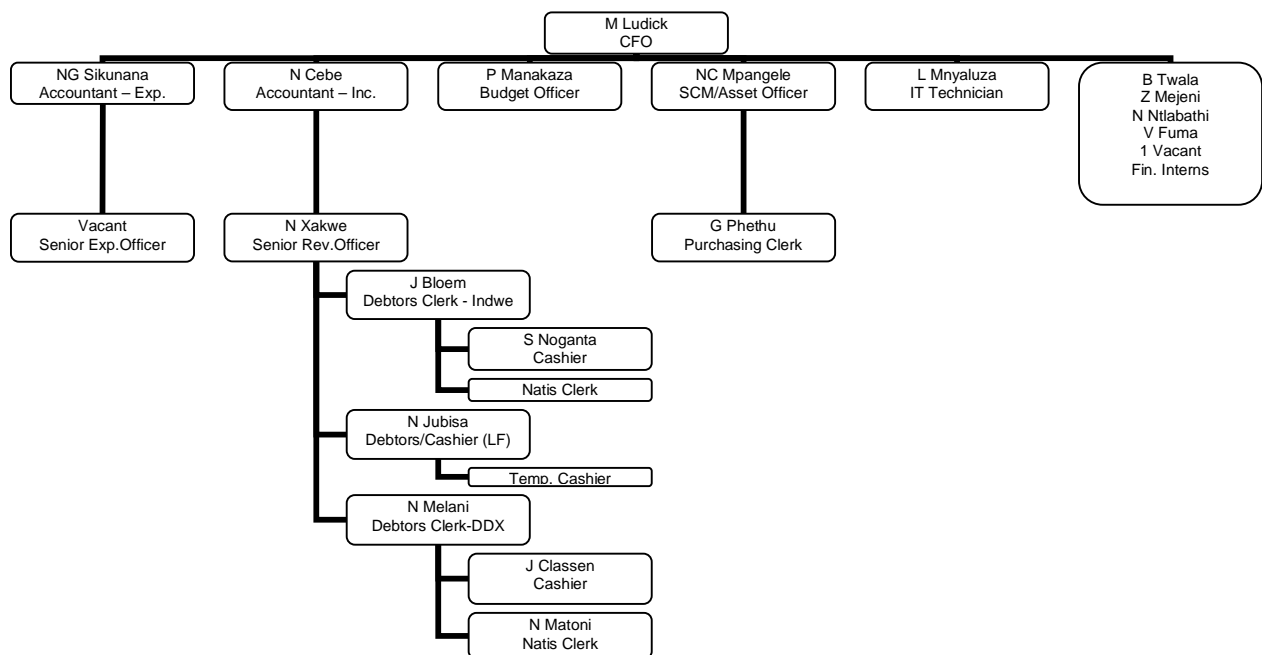
6.5 BUDGET & TREASURY DEPARTMENT

CFO: DEPARTMENTAL MANAGER S57: M. LUDICK

Strategy Statement

As the Finance department, we commit ourselves to manage the financial resources of the Emalahleni Municipality in the most efficient, effective and professional manner, in order to provide support to all departments within the municipality, towards the enhancement of service delivery within these departments. We undertake to implement and uphold all legislation, policies and procedures as prescribed by National Treasury.

FINANCE DEPARTMENT STRUCTURE



Functional Responsibilities

- Revenue Collection/Income Generation
- Expenditure
- Budgeting
- Accounting and Reporting
- Information Technology

- Assets and Risks
- Supply Chain Management

Overall Objectives 2009/2010

In order to achieve the objectives of the vision and mission of the Emalahleni Municipality, the office of the Finance Department seeks to deliver the following:

- Develop all policies, procedures and by-laws required by the Municipal Finance Act (MFMA);
- Implement all Regulations as issued by National Treasury;
- Implement all policies and procedures as stipulated within the Municipal Finance Management Act (MFMA) and the Financial Regulations issued by National Treasury;
- Give effect to all accounting principles as required by GAMAP/GRAP;
- Ensure that a transparent, effective supply chain management system is implemented;
- Ensure the effective, efficient and economic management of the monetary resources of the municipality;
- Support all Departments of the Municipality to achieve their objectives specified within in their 5 year departmental strategic plan;
- Manage and safeguard the assets of the municipality in order to ensure effective and economic delivery of services;
- Maintain, support and upgrade the IT network and equipment of the municipality to ensure effective service delivery;

PERFORMANCE REPORTING AND CHALLENGES

During 2008/2009 Emalahleni Municipality received a disclaimer of opinion from the Auditor General and 2009/2010 represented a year where a concerted effort was made to attempt to remedy many of the deficiencies that were highlighted within the Auditor-Generals Report.

Accordingly an Audit Action Plan was prepared, and utilized as a base for resolving issues that were identified within the Audit Report for 2008/2009.

It is further noted that an accounting service provider was appointed to assist the CFO in delivery of critical targets and to ensure that financial management prescriptions are upheld in all aspects relating to the MFMA.

Under each functional area, comments will be provided regarding progress and continued challenges.

Revenue Collection/Income Generation

- The development and implementation of a Revenue Enhancement Strategy has only been partially achieved. In an effort to implement this strategy, cut-offs have been

performed and weekly meetings held with the community in an effort to enhance knowledge and commitment to a culture of payment.

- While an increase from 23% to 30% in the Debt Collection Rate was achieved, the target was underachieved by 10%. This is very possibly due to the challenges experienced by the municipality in respect of the 79% poverty levels and political and economic influences.
- The Indigent Register is required to be regularly updated in order to accurately reflect the poverty levels and this must remain a focal consideration.
- The Valuation Roll was well achieved and the supplementary and interim valuation rolls were implemented and updated in terms of MPRA 2004.
- The Rates Policy was tabled for adoption and so too the new Tariff Policy.
- The Credit Control and Debt Collection Policy is applied consistently and efforts have been made to ensure that staff update the SEBATA system regularly with the corrected interest rates as per policy and interest rate changes.
- Formal agreements between tenants and the municipality have been established and drawn up by legal experts, in order to ensure legislated prescriptions regarding payment commitments.
- The monthly billing of accounts is more accurately completed.
- The Indigent Policy was updated, tabled and approved by Council.
- The utilization and implementation of the upgraded SEBATA software has been beneficial in addressing controls and reporting issues.
- Staff were capacitated as part of ongoing commitment to training and development.
- Tighter control in respect of cash management and revenue management remain an ongoing challenge, and extensive staff capacitation in terms of systems and controls is required.

Expenditure and Control

This function resides mainly in Elliot and is supported by three staff who are responsible for the payment of creditors, ordering goods, services and materials, processing monthly salaries and allowances, compiling and controlling budgets, controlling capital and other projects, processing of monthly and quarterly financial reports and the compilation of annual financial records and statements.

- 100% of Capital Expenditure was included in the IDP by June 2010;
- Authorized over-expenditure was made when MIG grant funding was exceeded by R13 million and a total of 28 million was spent on MIG projects. This was authorized after special permission was sought and obtained in order to enable current projects to continue and reach completion within the current year.
- Expenditure reporting was provided monthly and quarterly in respect of reports to the Mayor, Council, National Treasury and Provincial Treasury;
- A 10% variance on expenditure (under-expenditure) was experienced and reported to National Treasury as required.
- Errors in the recording and processing of VAT were examined and adjustments made as required and approved.
- Reports from SEBATA were provided in order to be able to establish and determine the accuracy of the latest figures for the general ledger and the trial balance.
- Appropriate training in respect of functional areas was provided to staff in an endeavor to heighten capacity.
- A service provider was contracted to conduct a completeness check on all supporting documentation for all transactions relating to operating grant expenditure and VAT, in order to verify figures provided (utilizing SEBATA downloads of general ledger and trial balances).
- A Purchasing Clerk was appointed in order to address irregular expenditure and the appointed service provider assisted with performance targets, and with the capacitation of the Purchasing Clerk to perform effectively.
- Any unauthorized, irregular or fruitless and wasteful expenditure identified was reported to the MEC for Local Government and data kept for record purposes.

Supply Chain Management

- The Supply Chain Management Policy and Procedure has not been effectively applied and the target of 45 working days turn-around for all procurement has not been achieved (60-80 days being experienced as the norm). This is due to capacity issues and will be addressed further with training.
- Reporting on SCM is not occurring as regularly as required, and statistics and reports will be provided more regularly in future.

Budgeting

The annual compilation of Council's operational and capital budget is the responsibility of this department. It also provides the necessary inputs during the annual review of Council's Integrated Development Plan (IDP).

This department is also responsible for the determination of tariffs and maintaining a cash budget. Actual expenditure to date is monitored monthly against Council's approved budget and reports are monthly submitted to all other departments informing them of their expenditure to date. Progress and issues are further defined as follows:

- Timelines in respect of the Budget and budget issues have been well achieved;
- Public committees and consultation forums for Finance (IDP linked) have been established;
- The following budget-related activities were achieved:
 - Alignment of budget to IDP
 - Service Delivery Agreements
 - Delegations
 - Budget-related Policies
 - Operational and capital budget
- Tariffs were determined as per updated Policies;
- The Budget and supporting documents were approved;
- Budget and supporting documents were provided to :
 - National Treasury
 - Provincial Treasury
 - Public
- A Service Delivery and Budget Implementation Plan (SDBIP) was completed for Finance;
- All 16 wards participated in the Budget process which illustrated an incredible improvement in public participation
- Senior Staff in the Budget & Treasury Department possess the required tertiary qualifications but lack practical ‘on the job’ experience and this is to be attended to via coaching;
- Capacity issues and shortages of staff in the Budget & Treasury Department are to be addressed via training and development and will be regarded as critical;
- Financial constraints remain a challenge;
- SDBIP Plans were linked to Budget/IDP and alignment was achieved 2009/2010 as SDBIP aligned to Budget and National Indicators;
- Although a continuous exercise efforts were made to improve financial controls;
- Policies are in place – policies developed and implemented during the 2009/2010 financial year;
- Service delivery agreements have been signed with the Department of Transport, Department of Arts & Sports and Library Services;
- Legislative compliance as per MFMA requirements in respect of GRAP conversions have been extremely well achieved, while taking into account allowed concessions;
- The Budget has been concluded in the new GRAP format; and
- The Annual Financial Statement have been completed within required timeframes as legislated (2009/2010).

Accounting and Reporting

Daily and monthly updating of accounting records and MFMA required reporting is achieved and reporting occurs as required to:

- National Treasury
- Provincial Treasury
- Accounting Officer

- Executive Committee
- Municipal Council

Monthly reconciliations of supporting registers are completed in respect of:

- Funds
- Loans
- Assets
- Banks
- Investments
- Debtors
- Creditors and
- Income & Expenditure

Compilation and completion of the following:

- Compilation of annual financial statements;
- Compilation of annual report for Department: Budget & Treasury Services;
- Implementation of Municipal Finance Management Act, No 56 of 2003, and all related requirements in respect of Accounting and Reporting.

Challenges and general comments

- Monitoring and control although much improved will remain an ongoing challenge to ensure constant and accurate data integrity and management;
- Reconciled registers and supporting documentation are maintained as required.

Information Technology

- Provision of information management and technological support. This function is not yet fully functional within the units. A draft IT Policy and Plan has been developed but has not been adopted or workshopped. Support provision is provided by CHDM and the policy will be submitted 31/8/10 to Council for adoption.

The following successes and challenges are noted:

- Established Internet email facilities – secure login facilities;
- The upgraded IT infrastructure;
- The ongoing maintenance and upgrading of computer hard-and software (SEBATA);
- Training provision to all staff in utilizing IT systems effectively;
- The development and maintenance of the Municipal Website – launched during 2008/2009 (ongoing maintenance);
- Skilled IT staff remain a challenge;
- There is a lack of access to infrastructure;
- IT policy in draft format – not implemented. This draft 5 year plan is to be submitted to Council 31/8/2010 for adoption;

- Funding constraints;
- System is fully integrated;
- Valuation information has been updated and additional accounts raised; and
- An unreliable IT Network occurs at times.

Assets and Risks

- The existing manual assets register, as well as the inventory lists have been computerized by means of bar-coding all moveable assets. 99% of all assets have been barcoded and included in the Assets Register
- Ongoing Stock take of assets has occurred in respect of the acquisition and disposal of assets;
- Fixed assets have been revalued;
- An asset vote and asset management report were developed;
- The Assets Register has been converted to GRAP as per prescriptions;
- The Fixed Assets Register has been updated as per the physical asset verification; and
- The Asset Register that was a particular weakness during 2008/2009 has been addressed more thoroughly in 2009/2010.

6.5 Technical Services Department

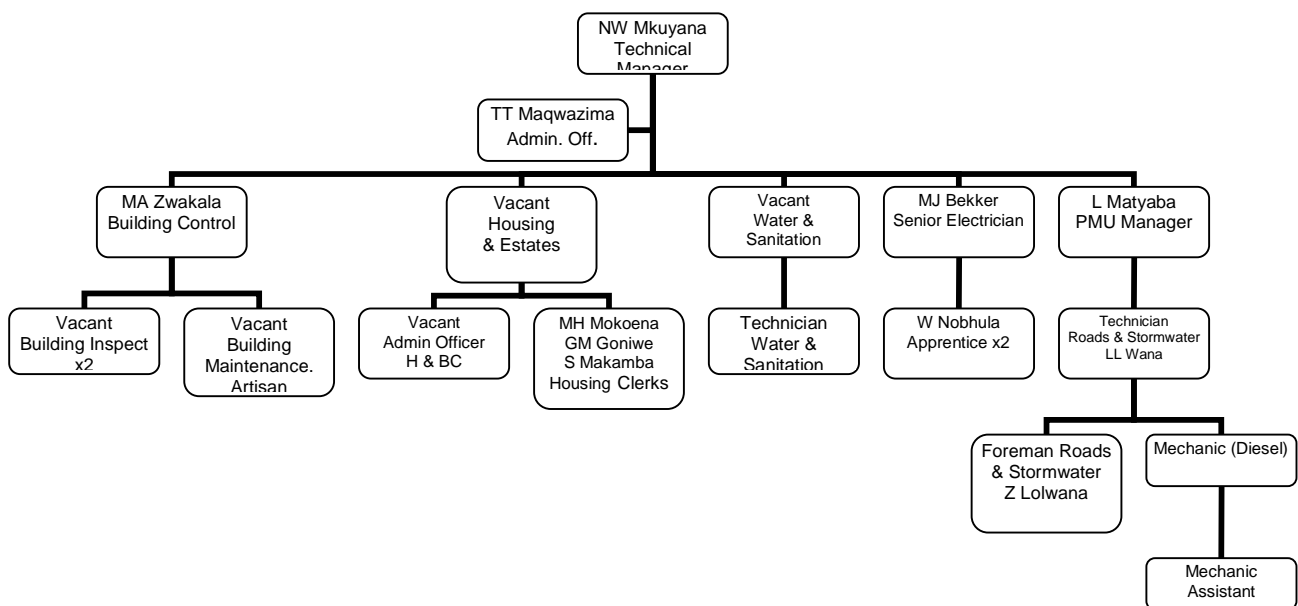
Technical Service Manager S57 Manager: Mr W Mkuyana

Strategic Statement

To render affordable and sustainable basic services to the community and internal departments by enhancing community participation in collaboration with internal departments through partnership and consultation in order to achieve good results and instill ownership.

To establish and maintain good relations and partnership with other spheres of government, sector departments and funding institutions for better service delivery.

TECHNICAL SERVICES DEPARTMENT STRUCTURE



Functional Responsibilities

The areas of focus include:

- Facilitation of infrastructure development (where it is not within our power and function);
- To create new infrastructure within our competence; and to maintain existing infrastructure in areas defined below.

- Project management
- Water and Sanitation;
- Electricity and Street lighting (reticulation and distribution);
- Roads and storm water; and
- Processing building plans and quality monitoring.

Overall Objectives 2009/2010

- Infrastructure planning as per prioritized needs of the community;
- Implementation and monitoring of capital projects;
- Budget control of capital projects;
- Policy formulation for infrastructure development and service delivery;
- Project management of local infrastructure projects, including:
 - Major infrastructure repairs and/or rehabilitation projects
 - New infrastructure projects
- Oversight on CHDM and Housing implemented infrastructure projects;
- Management and maintenance of municipal assets re – infrastructure (roads and stormwater drainage systems, pumps for sewer and water, bulk water storage facilities, water treatment plants, water line networks, waste water treatments plants, electricity distribution network and streetlights, buildings, road maintenance, plant and other operating plant and vehicles, and ensuring OHSA compliance in all municipal operations;
- Housing Unit management, by managing the development and maintenance of human settlements which includes:
 - Coordination of Housing Delivery completed by private developers and other
 - managing housing provision in a support capacity;
 - Promoting the sourcing of land for land reform programmes,
 - Monitoring the development of slum conditions in existing settlements; and
 - Assessment of housing needs;
 - Building Control Management by promoting compliance with National Building Regulations as well as the Housing Consumer Protection Measures Act;
 - Quality control of houses constructed within Housing Projects, and of all other private and public building developments; and
 - Management of the demolitions and the building permit system throughout Emalahleni.

PERFORMANCE REPORTING AND CHALLENGES

Staff Appointments

Staff were appointed as required in respect of plant operations for a loader, two tipper trucks and 1 excavator.

Management of Funds

Funding is received from the following areas:

- Municipal revenue from rates and taxes
- Equitable share from National Treasury, Chris Hani District Municipality, MIG and equitable share;
- Municipal Infrastructure Grant (MIG);
- Department of Housing, Local Government, and Traditional Affairs;
- Department of Minerals and Energy;
- Department of Roads and Transport; and
- Development Bank of South Africa.

Funding was strictly managed and expenditure reported on in keeping with the requirements and prescriptions of the donor funder.

Project Management Unit

- Infrastructure planning was conducted according to prioritized needs of the community;
- Capital projects were implemented and monitored and managed in terms of project deliverables and budgetary control; and
- Organizational reporting was conducted regularly in the manner required.

Roads and Stormwater

A number of targets were fully complied with in respect of roads and stormwater, notwithstanding challenges relating to: financial limitations, limited availability of maintenance equipment; poor and ageing infrastructure, and geographical and climatic conditions.

Achievements and challenges and reflected below as follows:

- The final delivery for the road construction at Mdantsane and Mackaysneck was completed as scheduled;
- The construction of the substructure (first delivery) of Qoboshane Bridge was completed timeously;
- The surfacing of internal streets in Lady Frere were not met in terms of target and 20% of the target was not met due to delays caused by the need to change subcontractors twice by the contractor;
- The access road in Dordrecht was fully surfaced as per project plan;
- Due to poor performance of the contractor resulting in his services being terminated and the re-appointment of a new contractor, 70% of the targeted access road in Indwe (resort) was not surfaced;

- The Trust Access Road and Stormwater construction was completed;
- The Ida Access Road was completed;
- Due to budget constraints (to be addressed within the new financial year), the storm water project in Lady Frere was not fully completed and stands at 30% incomplete;
- The construction of the internal streets and storm water at 700 units (in Bongo Lwethu) was only completed up to 25%, due to delays within procurement and delays in the release of funds by the Department of Human Settlements;
- The construction of stormwater and paving in the Lady Frere Indwe Road, was achieved as per required targets;
- 55% surfacing of access road of Indwe to Maruya township was completed as required;
- The Steel Bridge at Benqu was constructed by the Department of Transport prior to the target and the construction of access roads and related infrastructure were completed at Ntlanjeni, Ngqoko and Ngcalasoyi as per requirements.

Housing

- It was required that Emalahleni Municipality inspect all houses that were constructed in order to ensure compliance with NHBRC and CIDB. Accordingly the 149 houses built were evaluated in terms of compliance.
- In order to facilitate access to land for housing, Emalahleni Municipality was required to review the housing plan and to build capacity of all housing staff and contractors.

It must be noted that this competency lies with the DPHLG and accordingly the Housing Sector Plan was not tabled and adopted by Council, due to delays/budget constraints by the Department of Human Settlements. However, capacitation efforts have begun and 3 Housing officials were sent for training from DHLG beginning May 2010.

-

Building Control

Ensures responsible development of the local Built Environment, through:

- Public education, promoting compliance with National Building Regulations and Agreement Certificate (Rural Areas), as well as Housing Consumer Protection Measures Act (All houses are built by NHBRC registered Contractors);
- Development of Appropriate Building Technology suitable for areas where the national Building Regulations are not applicable;
- Quality control of House construction in Housing Projects;
- Municipal assets maintenance including municipal buildings, dipping tanks, disaster houses etc.;
- Quality Control of all other private and public building developments;
- Manages demolishing and building permit system throughout Emalahleni;
- Funding sources for the extensive projects required come from the following areas:

- Municipal Revenue from Rates and Taxes;
 - Equitable share from National Treasury
 - Chris Hani District Municipality, and Equitable Share
 - Municipal Infrastructure Grant (MIG)
 - Department of Housing, Local Government and Traditional Affairs
 - Department of Minerals and Energy
 - Department of Roads and Transport
 - Development Bank of SA
 - MIG Grant funding received during 2009/2010 – R 8;015;800
- Provision of input into the development of the annual review
 - Public Participation (re: IDP and Performance Management through SDBIP reporting and public hearings)
 - The involvement of both external and internal role-players within the IDP process
 - Coordinating of continuous improvement in respect of the IDP process – coordinate and integration; and
 - Provision of monitoring, support and reporting on the implementation process. (IDP and Performance Management compliance related issues)

General comments and Challenges

- The availability of LED expertise
- Funding constraints continue to be a challenge as there is little budget provided for the review of the IDP and related processes.
- Existing projects have continued as per the SDBIPs (i.e. as planned projects).

The challenges of monitoring and implementing all IDP & PMS compliance issues where little data has been present

Electricity and Street Lighting

Emalahleni Municipality is required to ensure electricity provision to the two towns of Indwe and Dordrecht. Remaining areas (Lady Frere and surrounding villages) are required to be supplied by Eskom and the department's role is to supply implementation and monitoring (as per the Turnkey Project).

General Issues and Challenges

- Infrastructure is old and severe winds cause damage to power lines when trees are blown on these, together with power outages and weakness due to the high winds.
- It remains a challenge to address the backlogs and to ensure that the standards of electricity provision and service are equally matched between urban and rural areas. The development of the SDBIP addresses this in a coordinated and planned manner over time.

- Planned cutting of trees is scheduled to assist in combating these challenges and power stations and power lines are upgraded regularly.
- Additional challenges include:
 - Lack of efficient electricity – impact on environment due to harvesting of unrenowable wood sources;
 - Ageing network requires upgrade – currently too weak to cater for demands;
 - ESKOM do not want to commit to projects in area;
 - Availability of skilled staff;
 - Adequate staff training is a significant challenge;
 - Little control over electricity and copper theft;
 - Allocation of funds for network maintenance;
 - The move towards a preventative maintenance strategy rather than a reactive one, through additional staff and funding, and
 - Reporting statistics as required in terms of backlogs, and sustainability.
- Success has been achieved in terms of Electricity Phase 3. Reports in respect of progress on electrification of phases 8A1, 8A2 and 8B have been provided to the standing committee as required.
- The provision of 70km of roads with streetlights by June 2010 has been achieved.

Water Services

It is acknowledged that CHDM (as the Water Services Authority) appointed Emalahleni Municipality as the Water Services Provider. Water and sanitation is therefore required to be provided to all rural and urban areas within this area.

It is acknowledged that service delivery and availability is more accessible in the urban areas. (18 769 yard connections in 3 towns vs 200m applicability for 105 948 residents in over 200 villages. However, planning is underway and required to ensure that these backlogs are addressed, and reported accurately together with plans for sustainable development. Emalahleni Municipality met the target of ensuring that access to water was provided to an additional 1200 households.

General Comments and Challenges

- Undoubtedly, the greatest challenges have related to severe droughts and deficiencies in Electricity provision from ESKOM.
- Shortages in water have placed tremendous strain on the residents, and on hospitals, clinics, schools and hostels.
- Plans are required to ensure that an additional water spruce is obtained in Dordrecht and that back up water systems in villages are made available together with the purchasing of water tankers.
- Commitment from ESKOM to deal with these challenges as a priority is also required.

Sanitation

Emalahleni is regarded as the sanitation service provider and is required to service the towns of Dordrecht, Lady Frere and Indwe (who enjoy a waterborne system, and the VIP toilets and pit latrine systems in the villages).

General Comments and Challenges

- Clearly improvements in levels of availability and standards need to be catered for while taking into account water challenges and infrastructure (requiring budgetary provision)
- SDBIP's and adherence to the IDP objectives, ensure that over time and with the necessary budgetary provision, these issues can be provided for.
- The required Sewer Maintenance Plan was not achieved for implementation, as this (although developed) has not yet been approved by the Municipal Manager. This will be addressed within the new financial year.
- Reporting on sanitation monitoring is occurring as required.

Plant Management

In an effort to facilitate access to required plant and machinery (to improve service delivery), efforts were required to be made to procure the services of a service provider to lease plant and equipment. Unfortunately due to budget constraints this target could not be achieved and these issues are to be addressed within the new financial year.

OVERSIGHT REPORT 2009-2010

EMALAHLENI MUNICIPALITY: OVERSIGHT REPORT FOR THE PERIOD 2009 -2010

1. BACKGROUND

The Municipal Finance Management Act, Act 56 of 2003, Section 129, requires that Council consider its Annual Report and based on the analysis and evaluation thereof, that it prepare and adopt an Oversight Report.

This Oversight Report is required to provide comments and reflections on the content of the Annual Report and these considerations will in turn influence the approval or non-approval of the Annual Report by Council itself. This report is therefore required to validate the content of the Annual Report or to provide any reservation regarding this. The draft Annual Report, as legally required, was tabled before Council on 27th January 2011. In terms of the resolution of Council it was referred to the Municipal Accounts Committee for oversight and for public comment and input. An advert was placed and the Annual Report was made available to the public and all stakeholders for comment. Inputs received have been incorporated into this report.

In terms of the legislated prescripts the Oversight Report and Annual report will be tabled to the full Council by 31 March 2011 and it is at this meeting that both the Oversight Report and the Annual Report are presented for final approval and adoption.

OVERSIGHT COMMITTEE:

The Council approved the terms of reference and the appointment of the Oversight Committee at the meeting of 28 June 2010 under item ELM 24/2010 OVERSIGHT.

Accordingly it was resolved that Council adopt the terms of reference for the oversight committee. The Council under ELM119 /2010 resolved and appointed the following as members of the Oversight Committee:

- | | | |
|----|--------------------|-------------------|
| 1. | Cllr S.K. Fudumele | UDM – Chairperson |
| 2. | Cllr V. Jordaan | ANC |
| 3. | Cllr M. Limba | ANC |
| 4. | Cllr P. Matakata | ANC |
| 5. | Cllr N. Nyukwana | ANC |
| 6. | Cllr N. Peter | ANC |
| 7. | Cllr N. Moyo | PAC |

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

On 9 November 2010 a workshop was held by the Department of Local Government and Traditional Affairs regarding the establishment of the MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC).

Following this workshop and after discussions it became clear that the MPAC would effectively cover the work of the traditional Oversight Committee and more. A Framework was provided as a guideline and Council and a recommendation made that Council adopt the framework and incorporate the framework into the terms of reference of the oversight committee and furthermore:.

The current Oversight Committee be upgraded and appointed as the Emalahleni Municipal Public Accounts Committee & consist of the 7 members already appointed by Council to the Oversight Committee; and

The Draft Framework be adopted by Council and be incorporated into the terms of reference as adopted by Council.

Arising from this Council resolved on the 26 November 2010 that:

- Council accept the new terms of reference for the MPAC;
- Cllr S.K. Fudumele be appointed as the Chairperson of the MPAC Committee;
- an additional three (3) Councillors would be appointed to the said committee at the next Ordinary Council meeting (so as to get the maximum number of 10); and
- the Chairperson, (Cllr S.K.Fudumele) and the Committee be trained.

Council has not appointed the further 3 members to the MPAC and the current Committee has proceeded with its business in the interim.

The MPAC Committee were invited to attend a workshop for training and thereafter attend to the meeting of the Committee to consider the Annual Report as required on the 21st and 22nd of February 2011.

The training of the committee was held on 21 February 2011.

The first formal meeting to consider, assess and consult on the Annual Report followed on the 21st and 22nd of February 2011. The Oversight Report that will emanate from this meeting will provide an accurate analysis and reflection of the content of Emalahleni's Annual Report 2009 – 2010 and will detail any reservations or points of concern.

Based on this report and after due consideration of written submissions (from members of the community and organs of the state), the Annual Report will be adopted with or without reservations.

The following Oversight Report is presented to the full Council by the Emalahleni Municipal Accounts Committee (MPAC) for the period 2009 - 2010.

2. ANALYSIS OF THE 2009/2010 ANNUAL REPORT

The Annual Report 2009-2010 was duly examined by the committee taking due cognizance of the Auditor-General's Report incorporated in the Report. Following this analysis, comments have been made regarding:

- the extent to which legislation was compliant;
- a summary of representations received from the community and others;

- and a summary of reservations expressed and corrective actions required by the MPAC.

2.1 AUDITOR-GENERALS REPORT ON ANNUAL FINANCIAL STATEMENTS

A disclaimer of opinion was received from the Auditor-General (AG) and is reflected in his Report for 2009 - 2010:

“Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.”

In responding to the issues highlighted by the Auditor-General’s Report (detailed within the Response to the Auditor General’s Report), the following summarized commitments were made:

An Audit Action Plan to address specifically highlighted issues and recurring matters within the Auditor-Generals Report was developed in close consultation with the representatives from the AG. The plan is intended to be implemented over an 18 to 24 month period in a consistent and controlled manner so as to identify, address and implement immediate actions and medium and long term actions to achieve maximum results to obtaining a clean audit. This was to ensure effective and measurable results from the plan as it was noted from that report that the adopted action plan for the previous year had not been effectively implemented and failed to address recurrent problems from the Audit report.;

In the broad sense, audit issues raised and to be addressed relate to:

- Internal controls;
- Risk Management;
- Legislative Compliance;
- Management of data; and
- Assignment of roles and responsibilities to ensure reporting compliance.

These issues are elaborated on more specifically within the Audit Response and within the Audit Action Plan.

2.2 Circulation of the Annual Report

In order to ensure community participation and input as well as input from the officials, Councillors and other stakeholders, the Annual Report 2009-2010 was circulated and made available immediately following the Council Meeting of 27 January 2011. All role-players were afforded an opportunity until the 28th of February 2011 to submit their input to the Report.

This was done in order to ensure an opportunity for feedback to be obtained and to enable amendments, if and where required. This was achieved by making copies of the Annual Report available and advertising its availability for inspection in the following designated and advertised public areas:

- Emalahleni Municipal Offices;
- Indwe;
- Dordrecht; and
- Lady Frere.

All inputs were required by no later than 2 March 2011, in order to allow for appropriate interrogation by the MPAC and amendments to be inserted if and where required.

3. SUMMARY OF FINDINGS RELATING TO THE ANNUAL REPORTING PROCESS 2009 - 2010

The Municipal Public Accounts Committee (MPAC), followed a process in assessing and interrogating the Annual Report, attending on the comparison to statutory requirements and the resultant Oversight Report which flowed from this process:

COMPLIANCE WITH LEGISLATION	ACTIONS REQUIRED	DUE DATE
The Annual Report was tabled to Council on due date. The Council meeting was held on the 27 January 2010. The Annual Report was circulated as required to stakeholders and the public invited to participate.	None Required	31 JANUARY 2011

REPRESENTATIONS RECEIVED FROM THE COMMUNITY AND OTHERS

The following table reflects the key written representations received from the respective bodies/individuals relating to the contents of the Annual Report.

Representation submitted by	Key Issues Raised	Determination by Oversight Committee
Individual Councillors	Briefing and discussion held 22 March 2011 on oversight progress	Councillors satisfied with progress and procedures of MPAC and with recommendations
Private Individuals	No comments	

Representation submitted by	Key Issues Raised	Determination by Oversight Committee
Civic organizations	No comments	
Other organized community structures (business, churches, sporting bodies, agriculture, labour, etc.)	No comments	
Auditor-General	Interactive session with the AG Rep appears in the summary.	Present at MPAC Committee Meeting & facilitated Audit Action Plan workshop
Audit Committee/ MPAC	Submitted report	Report incorporated in AR
Other Spheres of government	Members of other spheres of government	

4. **SUMMARY OF RESERVATIONS NOTED AND CORRECTIVE ACTION REQUIRED**

A summary, per chapter, of the matters raised by MPAC and the actions required to be taken in terms of Sec 131 (1) of the MFMA by the Mayor and the Administration on the Annual Report 09/10 are detailed below as referenced within each chapter of the Annual Report:

Chapter 1: Organizational Transformation and Institutional Development

Issues

Within this chapter of the report a number of discrepancies appear to exist in respect of statistical information. More specifically it is noted that differences appear to exist between the information contained within the Budget as compared with that of the HR Department. Figures in respect of: filled posts, contract posts, and vacant funded posts were required to be clarified.

In considering these challenges it must be noted that it is the Annual Financial Statements that are audited, and form the basis from which statistical and financial data flow and must be considered to be accurate. All related data throughout this report and through the IDP, Budget, AFS's a must reflect the same standard and accurate data and statistics. Failure to do so has resulted in audit queries and will destroy the credibility of all data utilized.

Corrective Action

The areas requiring amendment and clarity include:

- Figures in respect of approved and funded posts, contract posts, filled posts and vacant funded posts;
- Training statistics in terms of attendance and cost;
- Trends on Total Personnel Expenditure in respect of the full staff complement are required to be confirmed, and so too the section relating to wages and benefit totals;
- Gender breakdown per occupational area;
- Unemployment Statistics; and
- The application of Performance Management from 2009/2010 onward must occur in a coordinated fashion, ensuring that all staff is adequately trained. Clarity on who was accountable for Performance Management during this time appears unclear but it is now seated within the office of the Strategic and Legal and Compliance Managers.
- In certain instances statistical data could not be verified especially apparent when reporting on statistics. As a case in point it must be noted that a number of discrepancies appear within statistical data relating to unemployment. Where the CENSUS 2001 figures quoted in the IDP represent unemployment within this area at 79% (in 2008/2009 and 2009/2010) and at 50.3% from 2010/2011, it is noted that a source SA Explorer V 4 DEC 2006 reflects unemployment as 71%.
- The Municipality must reach agreement on a common statistical source base for use in all departments in the future to ensure consistency throughout.

Chapter 2: Performance Highlights

Issues

The following areas require input and planning to measure and record data that is required in terms of legislative prescriptions. Within service delivery very specific data is required to be presented, not only in terms of compliance but as a means to ensure improved service delivery and sustainability of improved service delivery levels over time through appropriate forward planning.

These are detailed as follows and cut across all service delivery departments:

- Percentage of clinics, schools and households with access to potable water, sanitation, electricity and road infrastructure;
- Total number of households expected to benefit in respect of, potable water, sanitation, electricity and road infrastructure;
- Estimated backlogs in respect of potable water, sanitation, electricity and road infrastructure;
- Targets for the financial year under review in respect of potable water, sanitation, electricity and road infrastructure;
- Number of households reached during the financial year in respect of potable water, sanitation, electricity and road infrastructure; and

- Percentage of planned service levels achieved during the current financial year in respect of potable water, sanitation, electricity and road infrastructure;
- The same requirements exist for establishing:
- The estimated backlogs (actual numbers) of indigent households with access to free alternative energy sources;
- Estimated backlogs for indigent households who do not have access to free basic sanitation services;
- The number of households /customers reached during the financial year in respect of actually constructed roads infrastructure;
- The number of households/customers reached during the financial year in respect of road upgrading and maintenance;

Similarly, for housing and town planning services it is required that statistics be provided in respect of households living in informal settlements; those settlements that have been provided with basic services and the percentage of households/informal housing that conform to the minimum building standards for residential houses.

Corrective Action

It is required, in all of these areas reflected above, that specific statistics be provided in respect of:

- those expected to benefit;
- estimated backlogs;
- annual targets;
- number of customers reached and
- percentage of target achieved within the current year.

While it is acknowledged that in most cases this information has not been recorded previously, it must be noted that, aside from compliance, there is great merit in recording information of this nature for future sustainability. Efforts must be made to implement a system to start these processes which it is agreed cannot in most cases be resolved in a single year. Appropriate structures and systems are required to be budgeted for and created over a designated period to ensure credibility of data obtained.

The Service Providers Reports has highlighted that it needs to be completed with a greater degree of care and capturing of the required information. It must be acknowledged that great strides have been made with this reporting and additional information has since been provided. It is clear that in accessing the required reporting information the performance of service providers will be better managed.

Efforts must be made to consciously factor All required reporting into day-to-day, weekly, monthly and/ or quarterly/bi annual and annually reporting structures must be consciously factored in and addressed and the SDBIP and Performance reporting must be completed as required.

Chapter 3: LED Framework Implementation

Issues and Corrective Action

Greater statistical data is required. Off immediate concern is the Unemployment Database which must be completed.

As already detailed herein the source, accuracy and uniformity of the baseline statistics are in question.

The LED Strategy was not finalized during this period. Upon completion, various challenges regarding implementation may become apparent and will be required to be addressed.

Notwithstanding and while acknowledging the limitations within LED (due to resource capacity and financial and operational commitment), we feel that this chapter accurately reflected the nature and focus of LED for the period under discussion.

Chapter 4: Financial Statements and Financial Reporting

Issues and Corrective Action

Reference is made to the reflections on the Auditor General's Report, the response thereto and the Audit Action Plan which was developed to guide all further activities within the Municipality and all departments in order to resolve identified issues. Additional input was provided by the Auditor General's representative who was present at our meeting 22 February 2011.

The comments contained in the Auditor-General's Report is addressed as per the Audit Action Plan. We further note the workshop with Section 57 Managers and MPAC with the participation of the AG representative has addressed and refined the Audit Action plan.

We are satisfied that these comments and the response to the Auditor General's Report adequately reflect the current situation.

Issues highlighted and detailed are as follows:

The Performance Management implementation and weaknesses were noted and the alignment to legislative prescripts for 2009/2010 and subsequent years is required to

address the weaknesses identified. Adequate training provision must be planned to resolve this issue.

It is acknowledged that the content of the s46 report may not have as yet reached the level we aspire to and that there remain certain areas of reporting that are a challenge due to the information required not previously measured -- as per the Technical Services data. Improvements in measurement and gathering data are to take precedence in the new year.

SDBIP Reporting must be formally conducted (quarterly reports) as per issues of compliance and performance management. In respect of the SDBIP and the manner in which it was developed it is acknowledged that deficiencies exist. These relate to the manner in which performance targets and objectives have been formulated. In the future it is proposed that greater attention be paid to the manner in which objectives are phrased and to ensure that these are written in a manner that is specific, measurable and appropriate to that requiring measurement. Additionally greater effort must be made to ensure that there is alignment between the IDP, the SDBIP and Performance Scorecards. All are required to be written and reported on in accordance with the national indicators.

The Auditor General's representative reported that the 2008/2009 Audit Action Plan has not been implemented and was not considered to be a working document. Audit queries have not been addressed and for the most part the same issues continue to be raised. Clearly these issues are to be addressed and managed more appropriately. The IDP informs the SDBIP and unless clear indicators and targets are set and correct alignment is achieved within the IDP and Budget the SDBIP and all other performance assessment measures will be ineffective. The IDP when reviewed and adopted must address these weaknesses and proper measurable targets must be set with a properly alignment to the budget.

S72 reports are still not being done regularly notwithstanding that this relates to compulsory reporting;

The AG representative reported that AFS Statements still reflect inaccurate figures which must be addressed.

The AG representative highlighted the Municipality's dependence on Financial Service Providers and this dependence must be addressed.

For the past 3 years inaccurate figures have been provided for government grants and subsidies and reporting is not being done correctly;

Bank reconciliations are still not being done regularly. These were last done in October 2010 when investigated in February 2011. This is being rectified ongoing oversight and management of these actions is required through monitoring is required;

Accounting records are not reconciled monthly and the frequency of the accounting records being reviewed is poor;

Maintaining the leave records is still a challenge (3 years later) due to system and management capacity

The lack of management control of journals;

Reconciliations were not done monthly for the payroll and it is clear that this requires intervention;

Debtors and percentage tariffs are incorrect on system and about 1000 debtors were not on the system thereby causing loss of income for council;

Queries are raised every year regarding issues of VAT and VAT reconciliations;

Assets remain a challenge, although the AG has made it clear that these issues are to be addressed in-house i.e. the assets register and control can be done internally /in house - it is only the infrastructure assets that require outside assistance;

Reconciliations have not been done as per monthly payroll (recurring for 3 years now). SEBATA systems and their functionality continue to be a challenge. Limited checks and balances are in place, service providers are not transferring skills to management relating to the system in this regard;

Management and reporting are identified as weakness throughout;

Too many meetings are being attended by key personnel, especially when the audit is being conducted, resulting in lack of information flow. Moving forward these staff are required to identify availability and to provide a schedule to the AG so that they are available throughout the audit.

MPAC was congratulated by the AG for wanting to engage with the AG. However it is emphasized that in these instances it is imperative that all Managers attend so as to ensure that issues can be resolved immediately moving forward;

While it was acknowledged that Council Oversight was to be commended especially in terms of the MPAC, it was also mentioned by the AG that this on its own would not resolve the historic issues and that management involvement and support was critical to success;

The need for the Audit Action plan to be workshopped with Management, the AG and MPAC was identified.

It was also noted that in certain instances councillors were in arrears with rates. This was not seen in a good light by AG as they lead by example and cannot expect the community to pay for services if the municipal leadership do not.

In other instances Councillors have been required to assist with community surveys/customer care questionnaires and the like. In a particular case and after numerous meetings held with the Speaker, a number of ward councilors have not brought the questionnaires back and clearly this affects the managers performance as much as the councillors;

An audit query was raised in respect of management fees (eNaTIS, water and sanitation). It must be noted that the SLA entered into between CHDM and ELM must be documented and that the cost of debt must be subsidized by the district. In the case where a debtor does not pay ELM must ensure that CHDM cover the debt also if this not in the SLA the ELM will be required to ACCOUNT FOR THE ASSETS; and

Departments are required to have a consolidated workable audit action plan /uniform in template but focused to their area of the audit. At present finance has a template that is different to the other departments and with different formatting which is not ideal. The MM /Compliance Manager is to ensure that is resolved and that progress is documented monthly.

Chapter 5: Good Governance and Public Participation

Issues and Corrective Action

In respect of the issues of governance and public participation we are comfortable that the information provided is an accurate reflection of these areas of functioning. It is acknowledged that steps are required to ensure improvements a within the IDP – in terms of the roll out and public participation, the manner in which it is structured, the manner in which it sets indicators for assessment and gives direction to the budget, the manner in which it reflects the national indicators, and in terms of meeting required submission deadlines.

Chapter 6: Functional Area Service Delivery Reporting

Issues and Corrective Action

In terms of the detail provided we are comfortable that this accurately reflects the functional nature of these departments.

5. CONCLUDING COMMENTS

As per the stated facts throughout, it is noted that notwithstanding tremendous effort to resolve issues of concern, information contained within the Annual Report cannot be completely validated. At times this is due to lack of reporting and at other times it is due to the fact that no accurate data is available at the level required. In these instances we are comfortable that the data provided is purely an estimate.

As indicated in the feedback from the AG and the AG Audit Report we are still deficient in terms of systems and controls and in ensuring that many aspects of basic reporting are adhered to. For this reason we express our reservation in respect of the validity of the data captured in the main body of the Report.

6. MINUTES OF THE MEETINGS OF THE MPAC COMMITTEE

The MPAC met on 21 February and 22 February 2011, and on 17 March 2011 where a workshop with the Managers and MPAC was held, facilitated by the AG. The workshop was followed by the meeting of the MPAC at which the draft report was tabled, reviewed and adopted by the MPAC. On the 22 March 2011 the MPAC held a full briefing with the Councillors to report back on the progress of the committee and to brief the Councillors on the oversight report and the findings so as to obtain final input from the Councillors before submitting same to the Council for Adoption.

Copies of the minutes of the meetings are available and filed as part of the process to reflect the transparency of the MPAC in the dealings and deliberations of the committee in compiling the Oversight Report.

7. RECOMMENDATION TO COUNCIL TO RESOLVE:

The Municipal Public Accounts Committee (MPAC) recommends to Council that:

- 7.1 The Council take note of the Oversight Report of the MPAC on the Annual Report for the period 2009/2010, as submitted to Council.
- 7.2. The Council having fully considered the 2009/2010 Annual Report of the municipality and representations made thereon, adopts the 2009/2010 Oversight Report and;
- 7.3. Council approves the 2009/2010 Annual Report with reservations contained in the Oversight Report and;
- 7.4 The Oversight Report be made Public in accordance with the prescripts of the MFMA and be submitted to the relevant stakeholders.

CLOSING SUMMARY

From the detailed chapters in this Annual Report, Emalahleni Municipality has been able to report on all aspects of organisational performance, providing a true, honest and accurate account of Council priorities and goals and our ability as an organization to achieve these, notwithstanding the many highlighted challenges that prevail.

Within Part 1; Chapter 1 of this report, you were exposed to an overview of Emalahleni's geographic and demographic profile, as well as socio-economic factors that influence life within this region. The Mayors Foreword; Municipal Managers Report and the Executive summary.

Part 2; Chapter 2 has Performance highlights the key successes and challenges experienced by the more high profile service delivery departments. These have been examined by looking at the service delivery approach adopted, the performance measures and key successes, as well as the challenges and opportunities faced by service delivery currently.

Chapter 3; provides insight into the organization LED Framework and Implementation

Chapter 4; represents an account of Emalahleni Municipality's financial health and wealth and includes all financial statements as public documents.

Chapter 5; provides insight into the Good Governance and Public Participation and the organization structure and changes required to ensure that Emalahleni Municipality is able to fulfill its developmental Local Government objectives, through compliance at every level.

Chapter 6; provides comprehensive information on the functional areas of Emalahleni Municipality, including overviews of functions and strategic objectives. All of these objectives are then tied directly back to the Integrated Development Plan and more technically into the Service Delivery Budget and Implementation Plans for each department.

Finally, it must be noted that the Annual Report for 2009/2010 provides a realistic and accurate account of the progress and extreme difficulties experienced by Emalahleni Municipality and reflects the impact that all of this has had on service delivery, notwithstanding of areas for disclaimer.

Concluding remarks

In concluding, it must be noted that In producing this report there has been reliance on information provided by the s57 managers and reference has been made to organizational documents such as the s46; SDBIP's; Strategic Scorecard and the IDP together with the Annual Financial Statements.

while every effort has been made to reflect on the annual performance of Emalahleni Municipality during the 2009/2010 period and the degree to which the performance targets have been met, it must also be acknowledged that in certain instances there has been a lack of information /incorrect statistical, including financial statistical information (as detailed within the draft Oversight Report and within the Auditor General's Report). Lack of adequate formal records, and systems and controls to verify various aspects of performance have already been highlighted as areas for disclaimer.

Notwithstanding and as per the Audit Action Plan, steps are underway to ensure that required information is recorded in an effective manner. In respect of service delivery it has already been indicated that certain aspects were never required to be measured in the past but that these are now required for statistical purposes, compliance and to ensure sustainability. These limitations we acknowledge and it is understood that all of these inadequacies could never be resolved "over- night".

What is commendable is the manner in which the Audit Action Plan has been developed and the manner in which efforts are being made to resolve these issues moving forward.

Cognizance must be taken on the work done thus far by The Municipal Manager the legal and compliance Manager (driving compliance issues), s57 Managers, the Internal Auditor and the Audit Committee however there is still room for improvement.

Notwithstanding these issues it is recommended that Council adopt this Annual Report as a reflection of the activities, progress and issues as they occurred within the 2009 -2010 financial year.

The Oversight Report was tabled to Council on the 31st of March 2011 and the following resolution was adopted by the Emalahleni Municipal Council:

Resolution

RESOLVED THAT

- The Council take note of the Oversight Report of the MPAC on the Annual Report for the period 2009/2010, as submitted to Council.
- The Council having fully considered the 2009/2010 Annual Report of the municipality and representations made thereon, adopts the 2009/2010 Oversight Report and;

- The Council approves the 2009/2010 Annual Report with reservations contained in the Oversight Report and;
- The Oversight Report be made public in accordance with the prescripts of the MFMA and be submitted to the relevant stakeholders.

EMALAHLENI MUNICIPALITY

GLOSSARY

CBO	Community Based Organisation
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWAF	Department of Water Affairs and Forestry
GAMAP	Generally Accepted Municipal Accounting Practices
GDP	Gross Domestic Product
GRAP	Generally Recognized Accounting Practices
IDP	Integrated Development Plan
ILGM	Institute of Local Government Management of Southern Africa
IMPRO	Institute of Municipal Public Relations Officers
LED	Local Economic Development
LGSWETA	Local Government and Related Services SETA
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organisation
SALGA	South African Local Government Association
SMME	Small, Medium and Micro Enterprises
TLC	Transitional Local Council
CHDM	Chris Hani District Municipality

CREDITS

Emalahleni Municipality wishes to thank the following people for their contributions:

- **The Honorable Mayor, Speaker and Councillors**
- **Office of the Municipal Manager: Municipal Manager: Mr N. J. Kwepile**
- **Chief Financial Officer: M. Ludick**
- **Community Services Manager: Ms N P Mnyengeza**
- **Inputs from: S57 Managers: -- Corporate Services Manager: Ms N. Lungwengwe**
- **Technical Services Manager Mr W. Mkuyana**
- **Strategic Manager: A.M. Stemela**
- **IPED Manager: N. Mntyedwana**
- **Internal Audit Division and Legal & Compliance Manager: Mr PJ Cloete**