

Annual Report Financial year 2012/13



Final Draft Report
Submitted to Harry Gwala District
Municipality Council
24 January 2014

Table of Contents

Chapter 1 – Mayor’s Foreword and Executive Summary	1-4
A. COMPONENT A: MAYOR’S FOREWORD	1-4
B. COMPONENT B: MUNICIPAL MANAGER’S OVERVIEW	1-8
1.1. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	1-12
Provincial Location Context	1-12
1.2. SERVICE DELIVERY OVERVIEW.....	1-20
1.3. ORGANISATIONAL DEVELOPMENT OVERVIEW.....	1-21
1.4. FINANCIAL HEALTH OVERVIEW.....	1-23
1.5. STATUTORY ANNUAL REPORT PROCESS.....	1-23
Chapter 2 – Governance.....	2-24
A. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	2-24
2.1. POLITICAL GOVERNANCE.....	2-24
2.2. HIGH LEVEL ADMINISTRATIVE GOVERNANCE	2-26
2.3. INTER-GOVERNMENTAL RELATIONS (IGR).....	2-27
B. COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	2-28
2.4. PUBLIC MEETINGS.....	2-28
2.5. IDP PARTICIPATION AND ALIGNMENT	2-28
COMPONENT D: CORPORATE GOVERNANCE.....	2-29
2.6. RISK MANAGEMENT	2-29
2.7. ANTI-CORRUPTION AND FRAUD	2-30
2.8. SUPPLY CHAIN MANAGEMENT	2-30
2.9. BY-LAWS	2-32
2.10 WEBSITES	2-33
2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES	2-34
Chapter 3 – Service Delivery Performance (Performance Report Part I)	3-44
COMPONENT A: FINANCIAL SERVICES	3-44
COMPONENT B: WATER SERVICES	3-46
COMPONENT C: CORPORATE SERVICES	3-49
COMPONENT D: SOCIAL, ECONOMIC, PLANNING AND DEVELOPMENT	3-51
COMPONENT E: INFRASTRUCTURE	3-54
COMPONENT F: EXECUTIVE AND COUNCIL	3-56
Chapter 4 – Organisational Development Performance (Performance Report Part II)	4-57
A. COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL	4-58
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES	4-58
B. COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE	4-59
4.2 POLICIES.....	4-59
4.3 INJURIES, SICKNESS AND SUSPENSIONS	4-60
4.4 PERFORMANCE REWARDS	4-62
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE.....	4-63
4.5 SKILLS DEVELOPMENT AND TRAINING	4-63
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	4-65
4.6 EMPLOYEE EXPENDITURE	4-65

Chapter 5 Financial Performance	5-66
5.1 BACKGROUND	5-66
5.2 Component A: Statement Of Financial Performance	5-67
5.3 Component B: Spending Against Capital Budget.....	5-74
5.4 Component C: Cash Flow Management and Investment.....	5-76
5.5 Component D: Other Financial Matters.....	5-79
Chapter 6 Auditor General Audit Findings.....	6-81
A. COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2011/12	
6-81	
B. COMPONENT B: AUDITOR-GENERAL OPINION YEAR (2012/13).....	6-87
6.2 AUDITOR GENERAL REPORT YEAR 2012/13	6-87
GLOSSARY OF TERMS AND ABBREVIATIONS	6-88
APPENDICES	6-90
VOLUME II: ANNUAL FINANCIAL STATEMENTS.....	6-91

Chapter 1 – Mayor’s Foreword and Executive Summary

A. COMPONENT A: MAYOR’S FOREWORD

I would like to take this propitious opportunity and greet you all the community and stakeholders of Harry Gwala District Municipality as we reflect on the 2012-2013 financial year. Government is an entity of the public and as such, a public trust. Trust is only obtainable when government is opened to scrutiny by the members of the public. All spheres of government use public purse. It is therefore incumbent upon government to annually account to the public, in the form of an annual report.

Harry Gwala District Municipality is not immune to such a report, as a sphere closest to the people we are enjoined by law, diligence and good practice to report to the public and stakeholders on the successes and failures of the previous financial year; and provide corrective actions where performance is dissatisfactory.

Poverty, inequality and unemployment have over so many decades characterized our communities to an extent that most have failed to escape this web. The situation is aggravated by the skewed and mountainous areas whose terrain is too expensive to develop, as well as limited resources that we have at our disposal. However these challenges do not deter us from our commitment; we remain unwavering in our quest to fulfill the aspirations of our people whose only hope for better life and prosperous future is this government. Working together with National and Provincial Government we have worked tirelessly and diligently to push back the frontiers of poverty.

In line with the 18 Strategic Integrated Projects (SIPS) initiated by the Presidential Infrastructure Coordinating Commission, the Provincial Government of KwaZulu-Natal has instituted a 20 year plan to grow the economy of the Province for the improvement of the quality of life of all people living in KZN.

The vision of the Province is that by 2030 KwaZulu-Natal will be prosperous with a healthy, secure, skilled population, acting as a gateway to Africa.

For this vision to become a reality a seven point Strategic Framework has been put in place, addressing key issues of job creation; human resource development; human and community development; strategic infrastructure; environmental sustainability; governance & policy and spatial equity.

In order to fully implement the National and the Provincial programs Harry Gwala District Municipality has aligned its vision with that of both National and Provincial Government and as such our vision reads as:

"By 2030 Harry Gwala District Municipality will be a leading water services provider in the whole of KwaZulu Natal, with its communities benefitting from a vibrant tourism and agricultural sectors."

In the 2012/13 financial year, Harry Gwala District Municipality working together with its communities and other government departments has made significant strides on service delivery. It gives me great pleasure to list some of the major performance achievements in the 2012/2013 financial year.

1. Constructed over 5000 VIP toilets in all five local municipalities
2. Connected over 300 households with clean drinkable water and over 200 benefitted from rainwater harvesting.
3. Appointed 23 emerging contractors on rudimentary programs
4. Electrification of 80 households throughout the district
5. Installed 10 data loggers and 6 bulk water meters at UBuhlebezwe
6. Conducted over 12 disaster awareness campaigns
7. Provided 1200 blankets for communities affected with disasters and installed over 22 lighting conductors in lighting prone areas
8. Taken over 213 water samples for analysis to ensure a high quality of water for all our communities.

As a district municipality we would have wanted to achieve all the targets that we had set, however there were few challenges in meeting some, and those were embedded in the following:

- a) As a rurally based municipality we have a low revenue base and we are largely dependent on the equitable share and MIG to deliver services.
- b) Inability to recruit critical skills to the district because we compete with major towns with high revenue base and who pay exorbitant salaries to recruit and retain scarce skills. And as such in most cases we rely on service providers/ contractors, who are highly expensive, to do our work.

Public Participation

Government consults and involves communities in discussion about projects and programs that directly affect them. At an individual level, citizens have the right to hold government to account for, and get reasons for government decisions that directly affect them. And as such I will briefly talk to the methods that we as Harry Gwala District Municipality employed to enhance public participation.

Methods used to improve public participation

Public participation is a principle that is accepted by all spheres of government in South Africa. Public Participation is one of the cornerstones of our democracy and has equal benefits for politicians, public servants and civil society:

- Consultation will help government make more appropriate decisions based on the real needs of people.
- The more informed people are, the better they will understand what government is trying to do and what the budget and resource limitations are.
- Public representatives can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report back on key government decisions.
- Government cannot address all the development needs on its own and partnerships are needed with communities, civil society and business to improve service delivery and development.

As Harry Gwala District Municipality we used the following structure and institutions to enhance our public participation:

The Executive: Stakeholders and Izimbizo

Izimbizo and public meetings were used for public consultation. These izimbizo are meant to encourage participation and allow the public from a particular area to interact directly with the Executive. Our senior public servants were also in attendance to provide information and follow-ups on issues raised. These izimbizo were held in November 2013 and April of the following year.

Public meetings and report-back meetings

General public meetings were also used on various intervals to inform the public about specific issues or consulted them around specific development or other programmes. These public meetings were also used to report back on government programmes.

Inspections or site visits

A significant number of sites visits were also carried out in the 2012/2013 financial year to gauge progress on various projects implemented by the district and further advise the public on strides made of the projects in question.

Below are some of the structures and institutions that Harry Gwala District Municipality use to enhance public participation:

- Ward committees
- Community Development Workers (CDWs)
- Stakeholder bodies
- Local stakeholder forums
- Community liaison officials
- Print and air media.

B. COMPONENT B: MUNICIPAL MANAGER'S OVERVIEW

Municipalities and municipal entities are required in terms of the Municipal Finance Management (MFMA) Act No 56 of 2003, section 121 to prepare and adopt Annual Reports for each financial year. The purpose of this report as enshrined in the MFMA is to –

- a) provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- b) to provide a report on the performance against the budget of the municipality or municipal entity for that financial year; and
- c) to promote accountability to the local community for the decisions made through the year by the municipality or municipal entity.

Further to that, section 127 (2) requires that the Mayor of the municipality must, within seven months after the end of a financial year, table in the municipal Council the Annual Report of the municipality and of any municipal entity under the municipality's sole or shared control.

In terms of the functions and powers, the district municipality is responsible for the implementation of the Municipal Health Services; Disaster Management; Water and Sanitation Services, limited to potable water supply system and domestic waste water and sewage disposal system. These functions are performed by the municipality and communities are consulted broadly through public participation mechanisms that are in place and taking into account section 152(1) (b) of the Constitution of the Republic of the South Africa. The municipality is committed to aligning its programmes and projects to the fulfilment of objects of local government that are enshrined in section 152 of the Constitution of the Republic of South Africa, Act No 106 of 1996, which are-

- a) to provide a democratic and accountable government for local communities;
- b) to ensure the provision of services to communities in a sustainable manner;
- c) to promote social and economic development;
- d) to promote a safe and healthy environment; and
- e) encourage the involvement of communities and community organisations in the matters of local government.

In discharging its function in relation to economic development, and in response to high levels of unemployment, poverty and inequality, the Municipality has established a municipal entity, called the Sisonke Development Agency. The entity came into effect in July 2012 and the municipality has a shareholding capacity in the Agency. The entity's primary objective is to facilitate and promote economic development. It also serves as a special purpose vehicle to drive high impact, catalytic projects within the district by attracting domestic and foreign

investments in the area. The entity has a board of directors and a Memorandum of Agreement entered into between the Municipality and the Entity.

In discharging its responsibilities and to accelerate service delivery the municipality, is working closely with a number of both Provincial and National government departments. As a tool to account for our performance, the Annual Report will therefore be directed by the key powers and functions vested upon the District Municipality, which are also expressed in the Integrated Development Plan (IDP) of the municipality as reviewed in 2012/2013 and adopted by Council together with the related Service Delivery and Budget Implementation Plan (SDBIP).

Before I provide an overview of our performance for the financial year 2012/2013 under review, I will first reflect on the performance of the municipality in relation to the previous year's audit (2011/2012). The municipality received a Qualified Audit Opinion which was a regression from the previous audits. There were, in the main, two critical areas that led to the qualification. Firstly, it was the incomplete disclosure of irregular expenditure. Secondly, it was the removal of fixed assets that belong to the Local Municipalities, Eskom and the Department of Transport from the municipal asset register without a Council resolution and not in accordance with the Municipal Asset Transfer Regulations. To date, the complete disclosure of irregular expenditure for 2011/2012 has been finalized and the Council has taken a resolution to transfer the affected assets to their respective institutions. Although some of the institutions have accepted the assets, some are still work-in-progress and will be disclosed accordingly in the Annual Financial Statements.

Going back to the financial year under review, 2012/2013 was a challenging year for the municipality in terms of its liquidity and negative cash coverage. This situation can be attributed to a number of grants that were not cash-backed and poor revenue collection. This resulted in the municipality cutting its expenditure on internally funded projects during the mid-year budget adjustment, ring-fencing a number of grants and implementing belt tightening and budgetary controls. As a result, the financial liquidity of the municipality is improving. It is worth noting that the municipality, with the limited available internal resources, was able to prioritize operation and maintenance of our infrastructure to avoid any disruptions.

Notwithstanding the above, the municipality is proud to indicate the achievements in this Annual Report in relation to the implementation of all the planned bulk infrastructure projects in particular those that are funded by grants such as the Municipal Infrastructure Grant (MIG), Regional Bulk Infrastructure Grant (RBIG) and Massification Grant. These projects were not affected by the inadequate financial resources as they are grant funded.

The municipality is 90% grant dependent. In terms of own revenue there has been 8% upward trend in the 2012/2013 financial year from the previous financial year (2011/2012). During the financial under review, the municipality did not enter into any borrowing

arrangements, however the municipality is indebted to ABSA Bank and the Development Bank of Southern Africa (ABSA) to the value of R28.9M.

The Harry Gwala District Municipality has managed to appoint all Section 56 & 57 Managers in the year under review, nevertheless, the position of the Municipal Manager became vacant on 31 December 2012 owing to the expiry of the contract of employment. The position of the Municipal Manager was then filled on 24 May 2013. The Municipal Manager's position was filled by an internal candidate and that led to the position of the Executive Director: Social and Development Planning Services becoming vacant. The position has since been advertised.

On risk assessment, in the previous financial year and based on the Risk Assessment that was done, the municipality identified the following top five risks that are briefly explained below:

Information & Communication Technology (ICT) – the risk identified was the failure to recover data due to lack of IT Disaster Recovery Plan or non-compliance with the IT policy resulting in the disruption of operations, loss of data from the server and individual computers due to ineffective backups of information, to mention but a few. To address this risk, the municipality has already updated all IT related policies and is in the process of establishing a disaster recovery centre. The ICT Steering Committee has been established and a server has been procured. Those are the controls to address the risks.

Asset management- the risk identified is theft or loss of assets and misuse or abuse. The municipality has already updated the asset register and will enforce the implementation of the asset management policy. The municipality will also look at the installation of CCTV cameras.

Financial Position – the main issue is that the municipality may experience a going concern issue (liabilities in excess of assets). To address this risk, the municipality will have to realistically anticipate its revenue in terms of monies to be received, budgetary controls, enhance credit control, conduct awareness campaigns on credit control and debt collection policy and moratorium as per the Council resolution.

Conditional grants – the identified risk is the failure by the municipality to comply with the conditions prescribed for conditional grants, which may result in the municipality losing revenue when funds are stopped and reallocated. As a mitigation measure, the municipality has reconciled accruals to cash and cash equivalents and the accruals have been settled as they were budgeted for in the 2013/2014. Grants are being ring-fenced.

Financial Governance and SCM- the identified risk in this area is the collapse of the system of internal control and financial governance within the municipality. As means to address this risk, the municipality has developed SCM checklist and a register for irregular, wasteful and fruitless expenditure is in place.

Taking into account the challenges that faced the municipality, I wish to convey my appreciation and gratitude to the entire municipal Leadership which includes Council, Executive Committee, Portfolio Committees and Management for the clear direction and strong leadership and the ability to take tough decisions for the advancement of our communities; the municipal staff for their commitment and dedication to serve our communities and lastly our communities for their continued support.

NOTE

During the course of compiling this Annual Report, the name of the municipality was changed from Sisonke to Harry Gwala District Municipality. Therefore this report makes use of the new name.

1.1. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The Harry Gwala District Municipality (DC43) is located in the South West of the KwaZulu-Natal province. Its population is sparsely spread throughout an area of 11, 127, 9 square kilometers. The Harry Gwala District municipality forms part of the border between KwaZulu-Natal and Eastern Cape provinces. The District Management Area (DMA) is located to the West of the District and forms part of the border between the KwaZulu-Natal Province and Lesotho. The Harry Gwala District Municipality is composed of the following five local municipalities: Ubuhlebezwe, Ingwe, Kwa-Sani, Greater Kokstad and Umzimkhulu.



Provincial Location Context

The Harry Gwala District Municipality is one of the ten District Municipalities that forms part of the KwaZulu-Natal Province. It is located at the extreme south of the Province. The Harry Gwala District Municipality is bordered by the following District Municipalities: Uthukela to the North; Umgungundlovu to the North East; Alfred Nzo and Ugu to the South East; and OR Tambo to the South.

The location of the District in relation to the aforesaid District municipalities means that, any planning and development-taking place in each District will have an impact on the neighbouring Districts. It is therefore imperative to align planning and development activities between the Harry Gwala District Municipality and the respective District Municipalities.



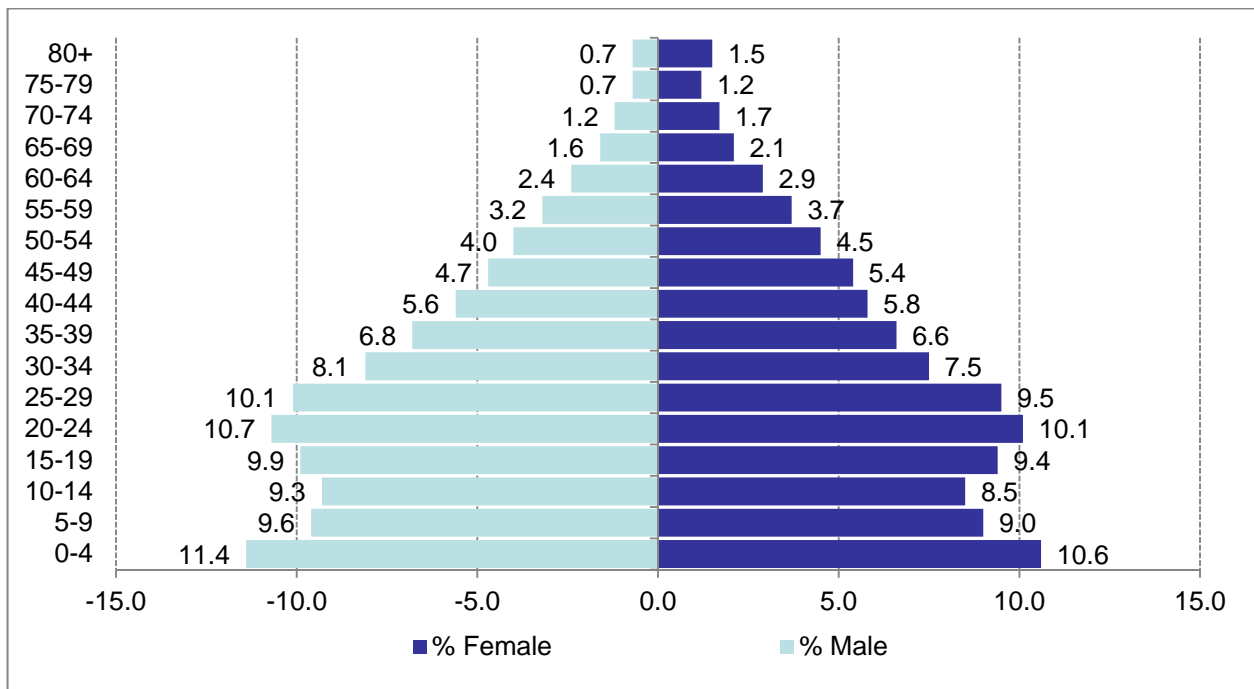
Demographic Profile

The District Municipality forms part of the border between KwaZulu-Natal and Eastern Cape Province. The District Management Area (DMA) is located to the West of the District and it forms part of the border between the KwaZulu-Natal Province and Lesotho (Harry Gwala IDP). It includes the southern most part of the UKhahlamba Drakensberg National Park adjacent to Lesotho and borders Eastern Cape Province in the west. The municipality area size is 11 127. 89,997 km² (COGTA). Key rivers in the district are the Umzimkhulu and Umkomaas rivers.

Number of Wards and Traditional Authority

Municipality	Number of Wards
KwaSani Local Municipality	4
Greater Kokstad Local Municipality	8
Ingwe Local Municipality	11
UBuhlebezwe Local Municipality	12
uMzimkhulu Local Municipality	20

Percentage distribution of the population in five-year age group by sex, South Africa, Census 2011



SOURCE: Stats SA 2011

The population pyramid above for Harry Gwala District indicates that the district has a lot of youth. There is a broad base made up of 0-4 population group, the municipality in its planning will closely work with the Department of Education and the Department of Social Development to ensure that sufficient services are provided to this particular group, linking or introducing the group to Early Childhood Development.

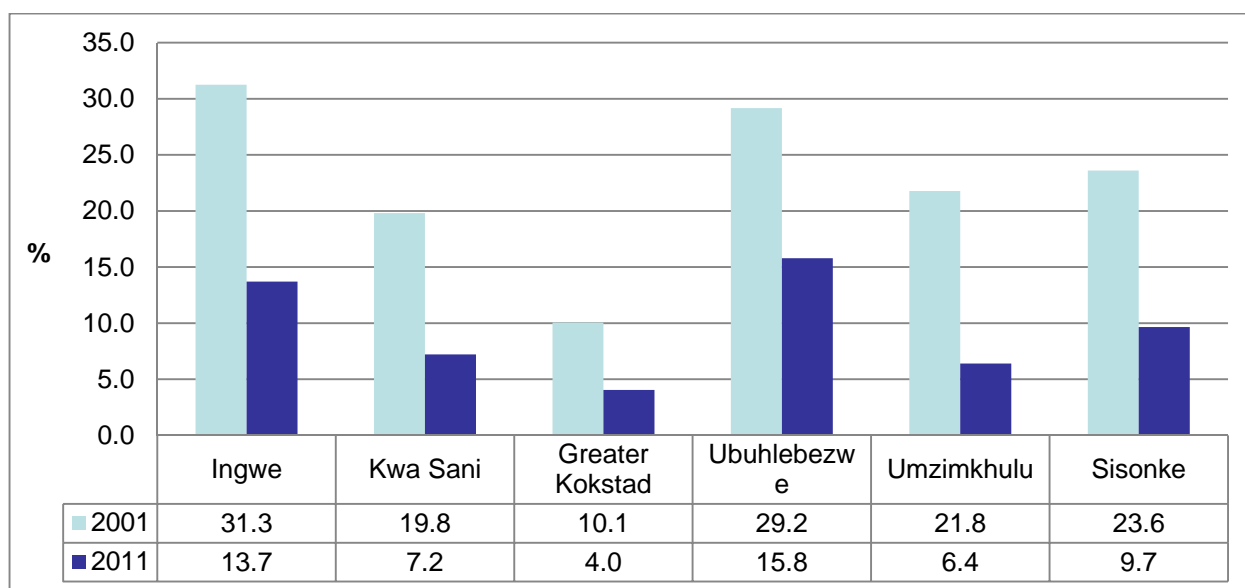
Primary Education between the ages of 6-13

District/Local Municipality	2001	2011
Ingwe Local Municipality	90.4%	89.5%
KwaSani Local Municipality	90.0%	74.1%
Greater Kokstad Local Municipality	85.1%	90.1%
Ubuhlebezwe Local Municipality	87.4%	89.8%
Umzimkhulu Local Municipality	90.9%	93.9%
Harry Gwala District Municipality	89.5%	91.2%

SOURCE: Stats SA 2011

From the tables above it is apparent that there has been a positive growth of literacy levels with Harry Gwala District municipality over the past ten years. In 2001, there was 89.5% of people whom were able to read and write but in 2011 the percentage increased to 91%. This is a major paradigm shift when considering that only 9.7% is illiterate.

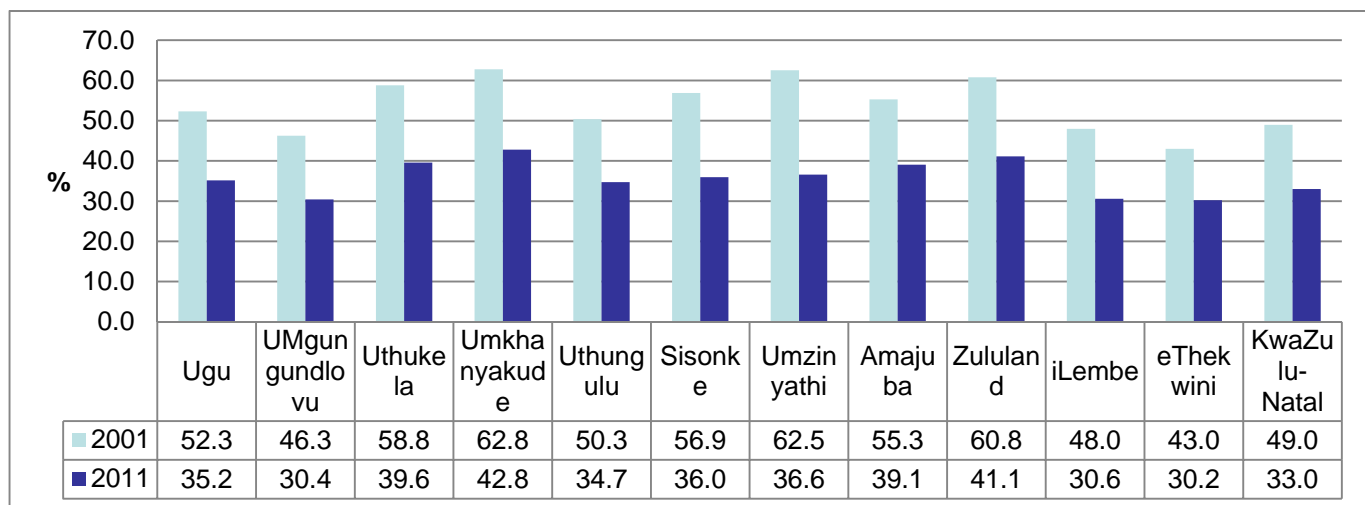
Percentage of the population aged 20 and above in each Local Municipality with no education



SOURCE: Stats SA 2011

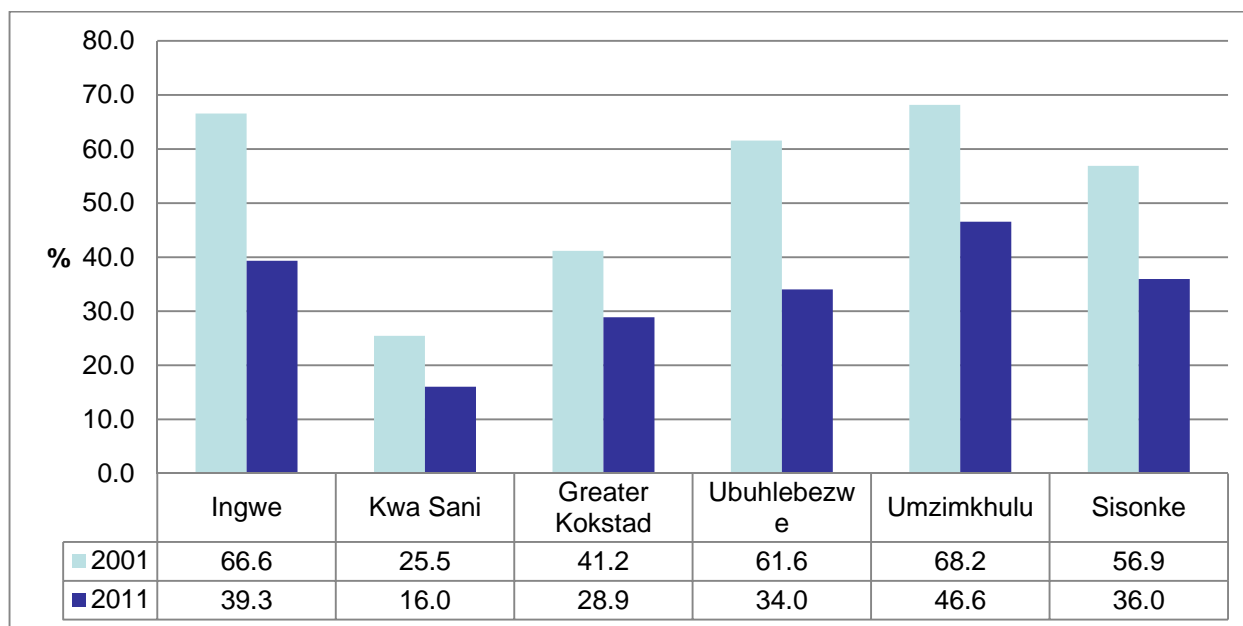
The bar graph above shows a significant shift from 23.6% in 2001 to 9.7% in 2011 in the percentage of population that is above the ages of 20 with no education. This is a clear sign that more and more young people are getting educated. This becomes a challenge for the district if there are limited places of work that will employ this generation. The district has since embarked on a journey to sensitise the business people on investment opportunities that the district offers. A Development Summit was held during FY2012/13. It is hoped that the Development Summit will trigger investment opportunities, which will boost employment and fight poverty and inequality.

Unemployment rate by District Municipalities in KwaZulu-Natal



SOURCE: Stats SA 2011

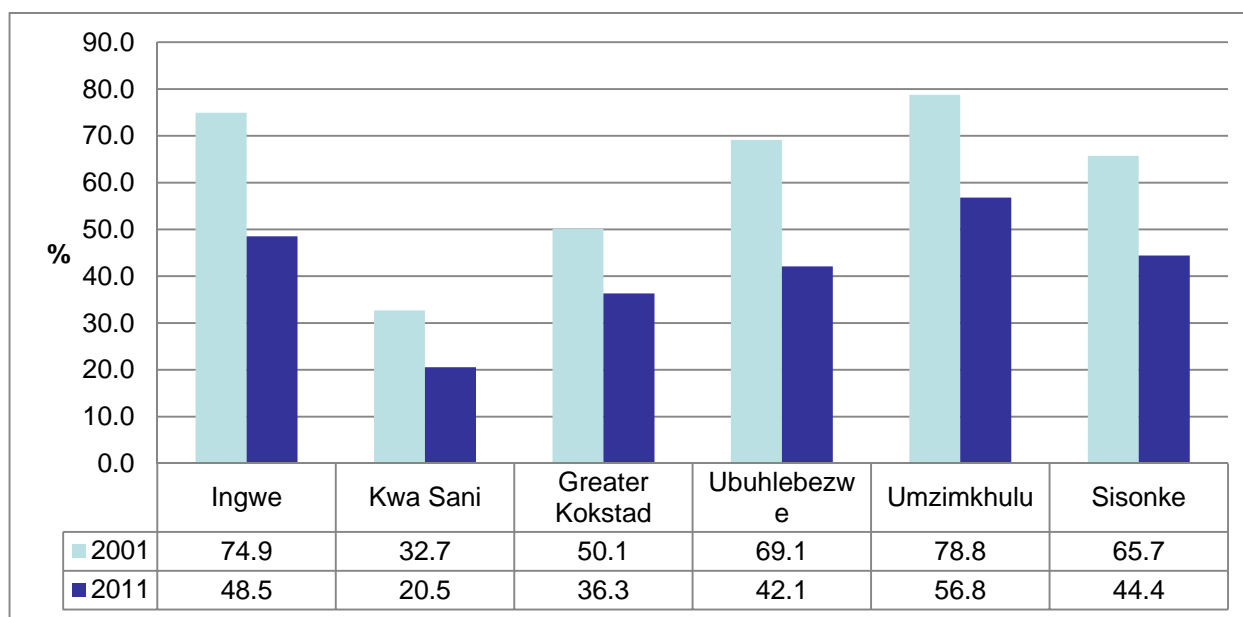
Unemployment rate by Local Municipalities in Harry Gwala District



SOURCE: Stats SA 2011

Unemployment in Harry Gwala is higher by 3% from that of the Province. This is an indication that more work still needs to be done in terms of working together with private businesses to create employment, but of critical importance to create a conducive environment where business will flourish. More money over the next five years has been invested to infrastructure development as one critical factor that will boost economic development in the district.

Unemployment rate by Local Municipalities in Harry Gwala District Youth (15-34)



SOURCE: Stats SA 2011

From the bar graph above it is clear that youth unemployment is still far above that of country. Umzimkhulu, Ingwe and UBuhlebezwe local municipalities are the critical municipalities when it comes to youth unemployment. Working together with relevant stakeholders the municipality will ensure that this trend is reversed. SDM has since developed programs in the 2013-2014 financial year, as reflected in the Section E 2 in the implementation plan that will assist youth with skills and create job opportunities.

Labour Force

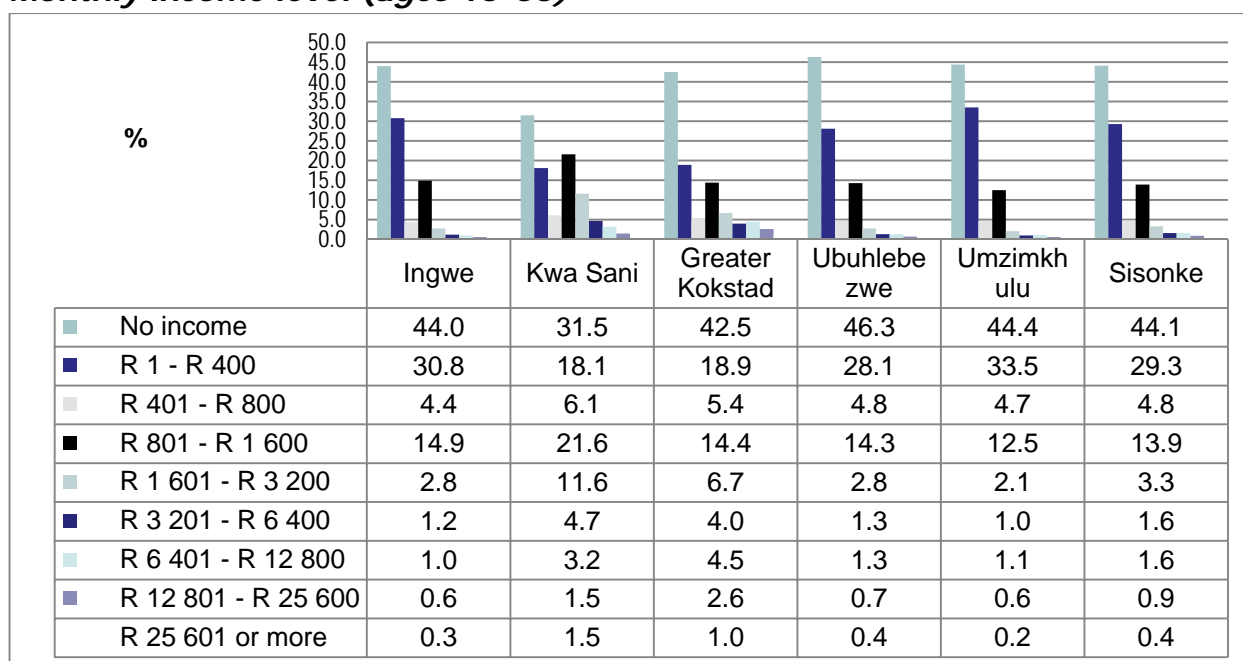
Municipality	In the formal sector	In the informal sector	Private household	Do not know	Unspecified	Not applicable
Harry Gwala District Municipality	43294	10891	6337	2704	-	398193
Ingwe Local Municipality	6333	2406	1286	798	-	89724
Kwa Sani Local Municipality	3437	713	539	741	-	7467
Greater Kokstad Local Municipality	13589	2730	2503	314	-	46845
Ubuhlebezwe Local Municipality	9180	2441	786	428	-	88855
Umzimkhulu Local Municipality	10754	2601	1223	422	-	165301

SOURCE: Stats SA 2011

The labour force table above reveals that out of over 460 000 people that reside in Harry Gwala, just under 70 000 are employed either formally or informally. And the majority of those that are unemployed as depicted in the graphs above is the youth between the ages of 15 and 34. This indeed is a worrying factor for the District, but as mentioned in the paragraphs above the District has embarked on a number of programs to assist that situation. Offering bursaries to needy students to go study at various institutions has encouraged learners to pay more attention to scarce skills, such as, engineering. In 2013, a significant number of medical students have been sent to Cuba to study medicine.

Poverty

Monthly income level (ages 15-65)

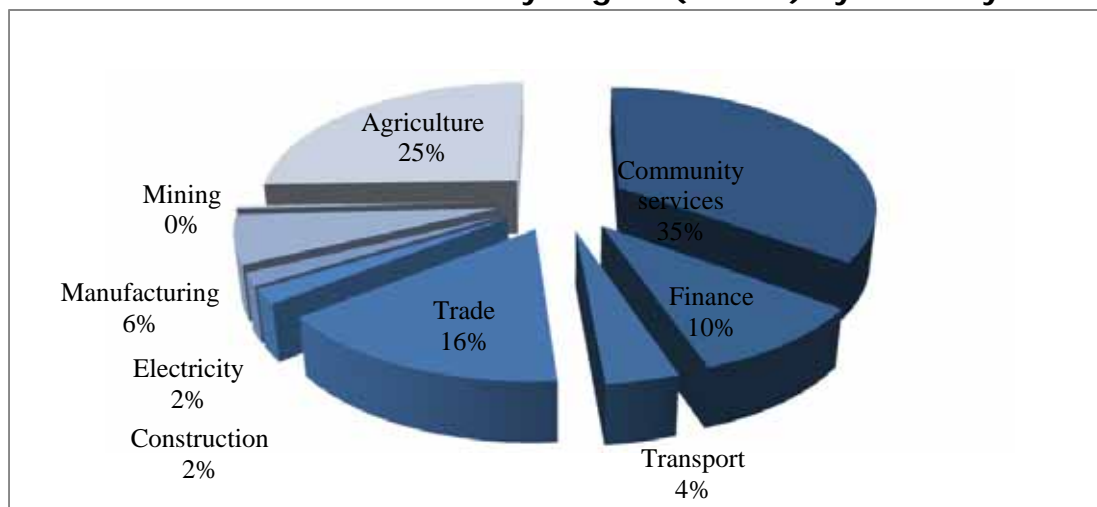


SOURCE: Stats SA 2011

The income inequality can be observed if an income distribution is considered. The figure above depicts the distribution of employed residents across monthly income categories using the 2011 Census. It is evident that of those employed; most workers earn low levels of remuneration. Nearly 80% of Harry Gwala District workers earn R1, 600 per month or less while 40% earn R800 or less. In stark contrast, very few workers earn R122, 800 per month or more – less than 2%.

Given the above, it is not surprising that the Harry Gwala District Municipality is home to a significant number of residents who could be classified as living in poverty. In 2011, almost 350,000 residents could be classified as “poor”.

Figure 1: Share of Gross Value Added by Region (GVA-R) by Industry



SOURCE: Global Insight Meta Data 2011

The dominant role played by agriculture in the district economy is evident. Agricultural activities within the Harry Gwala District Municipality are crop farming (i.e. potatoes and cabbages) and dairy farming. The agriculture sector is indeed one of the main sectors in the region contributing to the regional economy. There are also commercial forestry plantations that provide raw materials for wood-related products. Other suitable agricultural activities that have potential for growth in the region are carrots, maize, oats, soybeans, tomatoes, wheat, sorghum, sunflower and livestock. The agricultural sector in the Harry Gwala District Municipality has been one of the largest sectors of the district economy. Unfortunately, the sector is failing to fulfil its potential.

A trend analysis allows a greater appreciation of the make-up of the Harry Gwala District Municipality economy, particularly in light of the recent economic recession. The growing capacity of the public sector in the district can be clearly charted, with GVA of community services increasing from R 365 million in 1996 to R 1.513 billion in 2010 (an increase of over 400 %). Analysts estimated that community services will continue this rate of growth over the next four years, reaching R2.539 billion in 2015 (an increase of 168 %). In that year, community services are projected to make up almost 39 % of the district's GVA. Agriculture, in contrast, has grown in a more haphazard and slow fashion, buffeted by the often abrupt variations of national and international markets. Indeed, it is evident that agricultural GVA in the district has declined in real terms between 2007 and 2010, no doubt in part caused by the recent financial recession. The Harry Gwala District Municipality is located outside the major manufacturing sectors of the KwaZulu Natal economy, and therefore it is not surprising that manufacturing in the district has remained weak and effectively stagnant, showing only slow signs of growth and appreciation since 1996.

Looking into the future, growth in the agricultural sector is predicted to be relatively stagnant at 1.6 % on average for the period 2010-2015. Unfortunately, there are constraints inherent to certain economic sectors that hamper potential economic growth. For example, no matter how one might expect agriculture to expand, a completely unforeseen dry spell over a few years can have a detrimental effect. Growth in the manufacturing sector is predicted to be relatively stagnant at 2.5 % on average for the period 2010-2015.

Crime

Area	Common assault	Common robbery	Burglary at residential premises	Burglary at business premises	Stock-theft	Drug-related crime
KwaZulu-Natal	34 753	12 812	43 860	10 722	8 457	18 410
Harry Gwala	895	295	1 546	263	982	843
Ingwe	134	39	321	51	321	164
Kwa Sani	47	4	76	19	66	62
Greater Kokstad	175	124	429	83	178	196
Ubuhlebezwe	163	50	279	76	127	333
Umzimkhulu	375	79	442	33	289	88

The table above indicates that common assault, burglary at residential premises and stock theft are a three major crime activities in the District. This is a call to all the stakeholders to critically analyse these findings and come up with remedial interventions to address the situation. The district municipality will have to work closely with SAPS and its sister municipalities to combat the scourge of crime in the district.

1.2. SERVICE DELIVERY OVERVIEW

The municipality is proud to indicate the achievements in this Annual Report in relation to the implementation of all the planned bulk infrastructure projects, particularly those that are funded by grants. Those projects were not affected by the inadequate financial resources. Some of the major performance achievements in the 2012/2013 financial year are as follows:

- Construction of over 5000 VIP toilets in all five local municipalities.
- Connection of over 300 households with clean drinkable water and over 200 benefitted from rainwater harvesting.
- Appointing 23 emerging contractors on rudimentary programs.
- Electrification of 80 households throughout the district.

- Installation of 10 data loggers and 6 bulk water meters at uBuhlebezwe.
- Conducting over 12 disaster awareness campaigns.
- Provided 1200 blankets for communities affected with disasters and installed over 22 lighting conductors in lighting prone areas.
- Taking over 213 water samples for analysis to ensure a high quality of water for all our communities.

The Municipality is faced with the challenge of migration especially to urban areas. The previous apartheid government did not plan for growth in terms of the water services infrastructure. Harry Gwala has to now rework the planning and designs to cater for such movements especially into towns. It has proven that the cost of refurbishing the water services infrastructure is quite high and the Municipality cannot afford to do all in one or two financial years.

1.3. ORGANISATIONAL DEVELOPMENT OVERVIEW

As the Harry Gwala District Municipality aims to consolidate the solid gains of the last five years and offer better quality services and performance such as exemplary political and administrative governance, it is crucial to build human resource capital to support the needs of the five-year Integrated Development Plan.

The Harry Gwala District Municipality consists of six (6) departments, namely:

i. Office of the Municipal Manager

The functional areas of this department are, namely: Internal Audit; Risk Management; and Legal Services.

ii. Budget and Treasury Department

The functional areas of this department are, namely: Income; Expenditure; Budget & Information Systems; and Supply Chain Management.

iii. Corporate Services Department

The functional areas of this department are, namely: Administration; Council Support; Human Resource; Information Communication & Technology; and Strategic Support.

iv. Social and Development Planning Services Department

The functional areas of this department are, namely: Sport and Recreation; Special Programmes; Development Planning; Social Service; Disaster Management; and Integrated Planning & Performance Management.

v. Infrastructure Services Department

The functional areas of this department are, namely: Municipal Works; Project Management; and Technical Services.

vi. Water and Sanitation Department

The functional areas of this department are, namely: Operations & Maintenance; Water Governance; and Customer Care.

In the 2012/13 financial year, the municipality has witnessed the following **successes**:

- Filling of all Senior Management positions with the exception of one position which was vacated towards the end of the financial year.
- Filling of most budgeted vacant positions.
- Development of ICT policies (still in draft format) with the assistance from Provincial Treasury through Ernst & Young.
- Functional Municipal Public Accounts Committee.
- Capacitation of the Municipal Public Account Committees of the family of municipalities in the Harry Gwala District.
- Functional Audit Committee.
- Functional Local Labour Forum.

While witnessing the fore stated successes, the encountered challenges outweigh them. The **challenges** that have been noted are as follows:

- Insufficient funding for filling the vacant positions.
- Huge amounts of overtime paid especially to Water and Sanitation employees due to insufficient funding for vacant positions.
- Insufficient funding for capacity building (training and bursaries).
- Poor capacity in the Information Communication and Technology section.
- Longer period taken to fill in budgeted vacant positions.
- Failure to meet the deadline (1 January 2013) for the Minimum Competency Levels as per the National Treasury Regulations of 2006.
- Inadequate office accommodation and parking for Councillors and Employees.
- Lack of funding for employee compounds for Water and Sanitation employees.
- Inability to meet certain performance targets due to insufficient funding.

The Delegations of Authority have been developed and approved by Council in May 2012. The Council, Office of the Mayor, Office of the Deputy Mayor and the Office of the Speaker have been delegated powers. Each Committee of Council has also been delegated powers within which it will perform its functions and all Senior Managers including the Municipal Manager have also been delegated powers by Council.

1.4. FINANCIAL HEALTH OVERVIEW

2012/2013 was a challenging year for the municipality in terms of its liquidity and negative cash coverage. This situation can be attributed to a number of grants that were not cash-backed and poor revenue collection. This resulted in the municipality cutting its expenditure on internally funded projects during the mid-year budget adjustment, ring-fencing a number of grants and implementing belt tightening and budgetary controls. As a result, the financial liquidity of the municipality is improving. It is worth noting that the municipality, with the limited available internal resources, was able to prioritize operation and maintenance of our infrastructure to avoid any disruptions.

1.5. STATUTORY ANNUAL REPORT PROCESS

Section 127 of the Municipal Finance Management Act, sets out that:

- a) "... the mayor of a municipality must, within seven months after the end of financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control." **[Section 127(2)]**
- b) "... the accounting officer of the municipality must submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province." **[Section 127 (5) (b)]**
- c) "... the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report..." **[Section 129(1)]**
- d) "... the accounting officer must submit copies of the minutes of the meetings to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province." **[Section 129(2)(b)]**

Chapter 2 – Governance

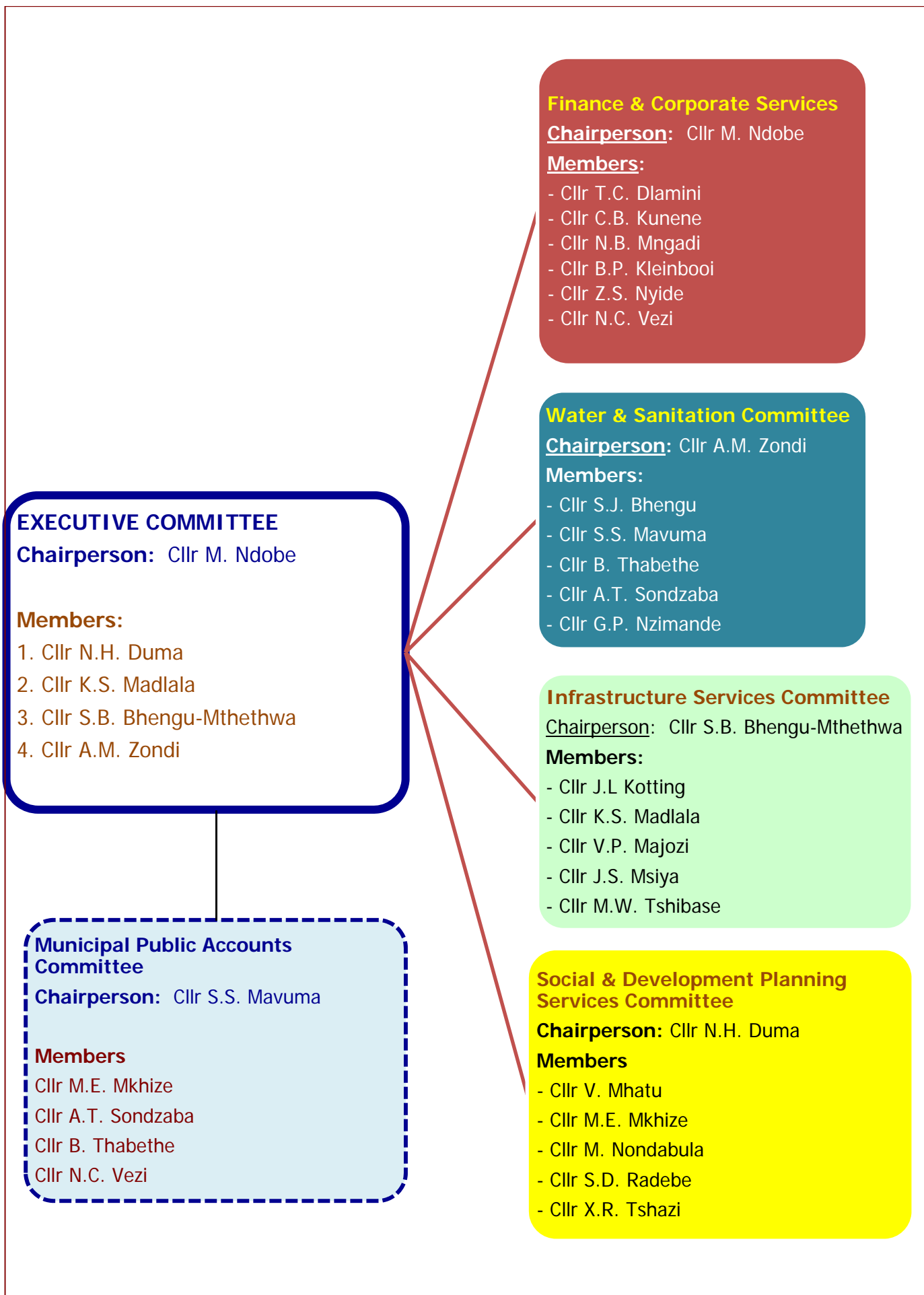
A. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. POLITICAL GOVERNANCE

SDM established and appointed Committees in terms of Section 79 and 80 of the Local Government Municipal Structures Act, No. 117 of 1998. These Committees have been established for the effective and efficient performance of the municipality. The municipality has established the following Committees:

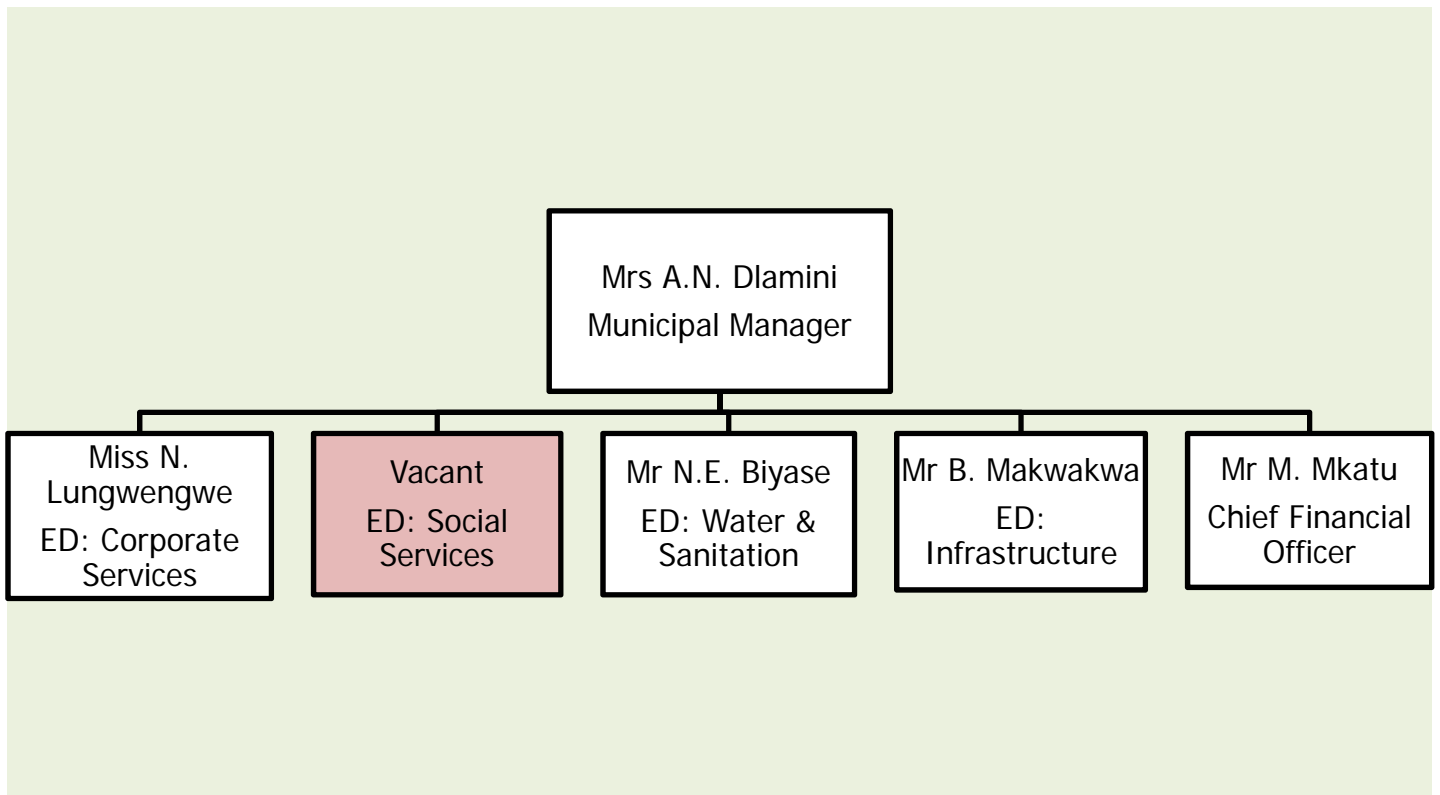
1. Executive Committee;
2. Finance and Corporate Services Committee;
3. Water and Sanitation Committee;
4. Infrastructure Services Committee;
5. Social and Development Planning Services Committee; and
6. Municipal Public Accounts Committee.

The structure below depicts how the Committees have been established with their Chairpersons and members.



2.2. HIGH LEVEL ADMINISTRATIVE GOVERNANCE

Section 82 of the Local Government Municipal Structures Act, No. 117 of 1998 and Section 54A of the Local Government Municipal Systems Act, No. 32 of 2000, as amended, states the Municipal Manager must be appointed, who is the head of administration and also the Accounting Officer for the Municipality with relevant skills and expertise to perform the duties associated with the post. Section 56 of the Local Government Municipal Systems Act, No. 32 of 2000, as amended, states that the Municipal Council, after consultation with the Municipal Manager must appoint managers directly accountable to the Municipal Manager. The positions have been filled except the position of the Executive Director: Social and Development Planning Services, which has been vacated towards the end of the financial year.



COMPONENT B: INTER-GOVERNMENTAL RELATIONS

2.3. INTER-GOVERNMENTAL RELATIONS (IGR)

An itinerary of meetings was drawn up and distributed to all departments for meetings to be convened. Although the IGR structure is in operation, the meetings are not happening according to schedule. There is no dedicated personnel to coordinate all IGR related activities.

SDM participates in the following IGR forums:

- Mayors Forum
- Municipal Managers' Forum
- Infrastructure Services Forum
- District Area Finance Forum
- Social Services Forum
- Communication Forum

In order to ensure continuity, the municipality utilises the service provider who assists in coordinating meetings.

B. COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. PUBLIC MEETINGS

Despite the legislative imperative, local government is, by essence, obliged to maintain effective communication with the communities. Likewise, the communities have a responsibility to participate and be involved in the affairs of the municipality. At SDM, engagement with communities is ensured through the following structures and mechanisms:

- IDP and budget road shows
- Council meetings
- Mayoral Izimbizo
- Print media
- Electronic media, notably the website and the municipal video system

2.5. IDP PARTICIPATION AND ALIGNMENT

The Municipal Manager has a delegated responsibility from the Mayor, to prepare the IDP for the District. During the IDP review, the following key elements were addressed within the confines of the approved IDP Process Plan and Framework Plan:

- Comments were received from the various role-players in the assessment of the IDP Review documentation.
- Strategic elements of the IDP were reviewed in terms of Council's new priorities, including the Spatial Development Framework.
- New information was included.
- The IDP was aligned with newly completed Sector Plans

The final IDP was tabled before Council in May 2012. There was consideration of community and stakeholder inputs, leading to the final IDP being approved by Council.

COMPONENT D: CORPORATE GOVERNANCE

2.6. RISK MANAGEMENT

We are in the process of developing the following risk management infrastructure which is expected to be completed mid-September:

- Risk management framework (Customise the existing framework developed by National Treasury).
- Risk management strategy
- Risk management policy
- Fraud prevention and anti-corruption strategy and policy.

The risk management committee will be structured as follows:

i.	Municipal Manager:	Chairperson
ii.	Chief Financial Officer:	Member
iii.	Executive Director Corporate Services:	Member
iv.	Executive Director Infrastructure Services:	Member
v.	Executive Director Water Services:	Member
vi.	Executive Director Social Services and Development Planning:	Member

- The unit will further set up a sub-committee which will be composed of risk champions from each department to be appointed by HOD's. This committee will work closely with the Risk Manager in identifying new and emerging risks, monitoring the implementation of the agreed risk treatment action plans and reporting to the Risk Committee.
- Terms of reference or risk management charter for both committees have been developed, to guide committees to execute their roles and responsibilities.
- We will formulate and compile the *foreword* by the Mayor declaring the posture of Harry Gwala's commitment in good governance, accountable financial management system and effective risk management. This *foreword* must be signed by the Mayor and be part of Harry Gwala risk management framework.
- The risk assessment for the entire municipality has been conducted, the draft report is available.
- We will also be reviewing the audit committee charter to consider additional risk management responsibilities.

The Audit, Risk and Performance Management Committee report is shown on Appendix A.

2.7. ANTI-CORRUPTION AND FRAUD

Harry Gwala District Municipality does not have an anti-corruption and fraud prevention strategy. However, there is a budget set aside to develop it in the 2013/2014 financial year.

2.8. SUPPLY CHAIN MANAGEMENT

2.8.1. Procedural issues

- The Supply Chain Management Policy was adopted and is currently being implemented.
- The procedure manual is in place and currently implemented.
- A compliance checklist has been developed and is currently being implemented.
- The fixed assets policy was adopted and is currently being implemented.
- Bid Committees are fully functional.

2.8.2. Components within Supply Chain Management

Supply Chain Management has six components namely:

- i. Demand Management
- ii. Acquisition Management
- iii. Logistics Management
- iv. Disposal Management
- v. Risk Management
- vi. Performance Management

i. Demand Management

- (a) Include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for, timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
- (b) Take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
- (c) Provide for the compilation of the required specifications to ensure that its needs are met; and
- (d) Undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

ii. Acquisition Management

- (a) That goods and services are procured by the municipality in accordance with authorized processes only;
- (b) That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) That the threshold values for the different procurement processes are complied with; and
- (d) That bid documentation, evaluation and adjudication criteria, and general conditions of a contract are in accordance with any applicable legislation.

iii. Logistics Management

- (a) The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) The placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (f) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

iv. Disposal Management

- a) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act
- b) Disposal can be done in the following method:
 - Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - Selling the asset; or
 - Destroying the asset.

v. Risk Management

Risk management includes:

- a) The identification of risks on a case-by-case basis;
- b) The allocation of risks to the party best suited to manage such risks;
- c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- d) The management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

vi. Performance Management

- a) The performance Management system involves the entire supply chain's ability to meet end-customer needs through product availability and responsive on-time delivery.
- b) Supply chain performance crosses both functional lines.

2.9. BY-LAWS

The water services by-laws were developed and they were gazzeted in 2007. The Water Services Act 1998 provides that By-laws should be reviewed annually. The department conducted the review of the by-laws in this financial year and some workshops for public participation were conducted.

2.10 WEBSITES

Type of Document	Posted to the municipal website (Y/N)	Comments
The annual and adjustments budgets, all budget-related documents and policies	Y	N/A
The annual report	Y	N/A
All service delivery agreements	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA
All performance agreements for section 57 managers	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA
All long-term borrowing contracts;	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA
All supply chain management contracts above a prescribed value	Y	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of	N	Assets were transferred and not disposed
Contracts having future budgetary implications	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA
Public-private partnership agreements listed in section 120 of the MFMA	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA	N	The municipality will use the new policy to ensure full compliance with s.75 of MFMA

SDM has drafted policies that will ensure full compliance with the requirement of section 75 of the MFMA.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Harry Gwala District Municipality did not conduct the Customer Satisfaction Survey in the 2012/2013 financial year to ascertain the level of satisfaction by community on service delivery. However, in the 2013/2014 financial a budget has been put aside to execute this exercise.

2.12. ALL MUNICIPAL OVERSIGHT COMMITTEES

The Municipal Structures Act, 117 of 1998 prescribes the methodology for the establishment of Municipal Council Committees. Further, the Local Government Municipal Systems Act no.32 of 2000 amongst other issues provides the framework for core planning, Performance Management and Human Resources Management.

A. TERMS OF REFERENCE OF THE FINANCE AND CORPORATE SERVICES COMMITTEE

i. Functions and Scope of Mandate for the Committee

The Finance and Corporate Services Committee assists the Executive Committee to promote a safe, healthy and enabling environment. The Committee is responsible for research, planning and recommendation of best methods and strategies with respect to the following functions of the Municipal Council and advising the Executive Committee on all policy matters while ensuring appropriate systems and procedures.

- Receive reports and evaluate progress on Human Resources, Administrative and Communication issues.
- Make recommendations on legislation and policies relating to Human Resources, Administrative Finance and Communication matters.
- Matters related to the job evaluation and grading of staff.
- Performance Management that is cascaded to employees below Section 56 Managers.
- Implementation of new structures and strategies.
- Ensuring that administrative systems and processes of Harry Gwala District Municipality are in line with National principles e.g Batho Pele principles.
- Deliberate on all finance related matters.
- Deliberate on Communication matters.
- Assist the Executive Committee in the allocation if applicable, the distribution of grants made to the District Municipality such as LGSETA grants.
- Monitoring of Workplace Skills Plan and all other related programmes.

- Assist the Executive Committee in water tariffs related matters by developing revenue enhancement strategy.
- Policy decisions relating to:
 - The recruitment, selection and appointment of persons as staff members.
 - The monitoring, measuring and evaluation of staff performance.
 - The dismissal and retrenchment of staff.
 - Conditions of service for employees.
 - Labour Relations matters.
 - Human Resources Development.
 - Transformation and diversity management.
- Any other matters related to:
 - General Administration
 - Security Services
 - Organisational Development
 - Committees Management an Administration
 - Registry Services
 - Information Communication Technology Management
 - Communication

ii. Delegated Authority/Powers of the Committee

The Finance and Corporate Services Committee shall have delegated powers with respect to the following, which maybe extended or amended by the Executive Committee at any given point.

- Participating in National and Provincial development programmes
- Formulating policies and procedures in respect of its legislative functions and considering all matters of a policy nature.
- Assist the Executive Committee to maximize the effectiveness of the administrative capacity of the Municipality.
- Review conditions of employment and related staff matters as directed by South African Local Government Association.
- Consider any Human Resources, Administrative or Finance related matters requiring provision of funds additional to those provided for in the budget and recommend to the Executive Committee.

iii. Administrative Functions

- The Committee shall advise the Executive Committee on all fiscal and other strategies designed to promote development and sound management of social community issues.

- The Committee shall set its annual calendar of meetings and programmes.
- The Committee shall oversee the implementation of resolutions taken by the Executive Committee with respect to its functions.
- The Committee shall receive secretarial support from the Corporate Services Department.
- Guidance, support and deliberations on reports will be led by the Executive Director: Corporate Services and the Chief Financial Officer.

B. TERMS OF REFERENCE OF THE SOCIAL SERVICES AND DEVELOPMENT PLANNING COMMITTEE

i. Functions and Scope of Mandate for The Committee

The Social Services and Development Planning Committee assists the Executive Committee to promote a safe, healthy and enabling environment. The Committee is responsible for undertaking research, planning and recommendation of best methods and strategies with respect to the following functions of the Municipal Council, in each case advising the Executive Committee:

- Social Development strategies for all sectors of the District community, including but not limited to Senior Citizens, Youth, Women (Gender issues), children and people with disabilities.
- Environmental Health System: the planning and development of a system and mechanisms to implement an effective and efficient environmental health system.
- Sports and Recreation, Heritage, Arts and Culture: coordinating and initiating programmes and projects aimed at developing the skills, knowledge, talent and participating in social regeneration of all sectors of the community.
- Disaster Management: planning and local economic including disaster mitigation i.e. put measures in place to deal with disaster should it happen.
- The Committee approves development applications.
- The Committee works in promoting Tourism within the District.
- Establishment of poverty alleviation initiatives
- The Committee monitors progress and use of land after transfer.
- Revitalisation of declining towns.
- Encouragement of livable and sustainable human settlements.
- Development of sector plans and monitor that sector plans are undertaken.
- Undertaking any other related functions, which may be requested by the Executive Committee.
- Receive reports and evaluate progress.

ii. Delegated Authority/Powers of the Committee

The Committee has delegated powers with respect to the following, which may be extended or amended by the Executive Committee at any given point:

- Participating in National and Provincial Social Development Programmes.
- The Committee shall consider supporting indigent families for burial services of their family members.
- Referral of any matter falling within its delegated authority to the Executive Committee or any Committee for consideration in the first instance.
- Requesting that an item be deliberated on in a joint session with another Municipal Council Committee.
- Formulating policies and procedures in respect of its legislative functions and considering all matters of a policy nature incidental to the terms of reference.
- And other authority delegated to it by the Executive Committee, notwithstanding that a request may be made for a delegation to be authorized.

iii. Administrative Functions

- The Committee shall advise the Executive Committee on all fiscal and other strategies designed to promote development and sound management of social community issues.
- The Committee shall set its annual calendar for meetings and programmes, which shall be advertised in the print or broadcast media.
- The Committee shall oversee the implementation of resolutions taken by the Executive Committee with respect to relevant functions.
- The Committee shall receive secretarial support services from the Corporate Services Department.
- Guidance, support and deliberations on reports will be led by the Executive Director: Economic and Community Services.

C. TERMS OF REFERENCE OF THE INFRASTRUCTURE COMMITTEE

i. Functions and Scope of Mandate of the Committee

The object of the Infrastructure Committee is to assist the Executive Committee to promote service delivery within the District Municipality. The Committee shall be responsible for undertaking research, planning and recommendation of best methods and strategies with respect to the following functions of the Municipal Council, in each case advising the Executive Committee. The functions of the Infrastructure Committee are tabulated as follows:

- Bulk electricity supply which includes for the purposes of such supply, the transmission, distribution and where applicable the generation of electricity.
- Bulk sewage reticulation infrastructure (including bulk water reticulation and domestic waste water) and solid waste disposal.
- Solid Waste disposal infrastructure relating to the determination of waste disposal strategy. Establishment operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities.
- Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.
- Any other municipal public works allocated to the municipality.
- The Infrastructure Committee shall advise the Executive Committee on all fiscal and other incentives designed to promote infrastructure development.
- Overseeing of the implementation of infrastructure projects.
- Prioritization of infrastructure development projects and recommend to the Executive Committee.
- Support administration in community liaison issues relevant to infrastructure development.
- Represent Council on seminars/ workshops related to Infrastructure development.
- The Committee must recommend the provision/approval of funds for unforeseen infrastructural improvements.
- Overseeing the implementation of projects and support committees relevant to community development.

ii. Delegated Authority/ Powers of the Committee

The Committee shall have delegated powers with respect to the following which may be extended or amended by the Executive Committee at any given point:

- The Infrastructure Services Committee may perform any duties and exercise any powers delegated to it by the executive committee.
- The Infrastructure Services Committee shall report to the Executive Committee in accordance with the directions of the Executive Committee.
- Participating in National and Provincial infrastructure related development programmes.
- Requesting that an item be deliberated on in a joint session with another Municipal Council Committee.
- Formulating policies and procedures in respect of its legislative functions and considering all matters of a policy nature.
- Combine priority lists of infrastructural projects for approval by the Executive Committee.
- On site inspection of projects on the ground.
- Monitor implementation of projects.
- Receive and evaluate progress reports of infrastructure projects.
- Nominate delegates to attend seminars, conferences and summits.

iii. Administrative Functions

- The Committee shall advise the Executive Committee on all fiscal and other strategies designed to promote development and sound management of projects.
- The Committee shall set its annual calendar for meetings and programmes, which shall be advertised in the print or broadcast media.
- The Committee shall oversee the implementation of resolutions taken by the Executive Committee with respect to relevant functions.
- The Committee shall receive secretarial support services from the Corporate Services Department.
- Administration and giving advise and guidance will be led by the Executive Director: Infrastructure Services.

D. TERMS OF REFERENCE OF THE WATER AND SANITATION COMMITTEE

i. Functions and Scope of Mandate

The Water and Sanitation Committee in performing its duties must identify and develop criteria in terms of which progress in the implementation of water and sanitation strategies, programs and services it recommended to the Executive Committee can be evaluated, including key performance indicators which are specific to the Municipality and common to local government and water sector in general. The functions and scope of the committee include the following:

- Provide to the Executive Committee, recommendations on legislation and policies relating to the following functions:
 - 1) Water;
 - 2) Sanitation;
 - 3) Ensure that all Safety issues relating to the above are adhered to;
 - 4) Legislative compliance; and
 - 5) Receive progress reports on the issues mentioned above and evaluate progress.
- Responsible for assisting the Executive Committee in the co-ordination of functions pertaining to its portfolio.
- Considering reports from the designated officials for the portfolio or other functionary and submit its recommendations on such issues to the Executive Committee
- Perform any duties and exercise any powers delegated to it by the Executive Committee
- May sub-delegate any duty or power delegated to it by the Executive Committee to any Political Office Bearer or the Municipal Manager
- May within the limits of any Policy Directives of the Executive Committee and adopted Integrated Development Plan issue policy directives to any Political Office Bearer or the

Municipal Manager to whom discretion has been sub-delegated by it for the exercise of any power by such person under such sub-delegation

- Assist the Executive Committee in promoting a safe and healthy environment by advising the Executive Committee on the following:
 - All policies and by-laws for the water and sanitation services
 - The review of those bylaws, regulations, rules and tariffs that regulate and arise out of matters within the Terms of Reference of the Committee and the proposal of amendments and additions thereto.
- Appoint from within its membership a sub-committee with powers to coopt such other members as the sub-committee deems fit, to consider and report to the committee on any matter falling within its terms of reference
- Consider all matters of a policy nature incidental to the terms of reference
- Recommend to the Executive Committee strategies, programs and services to address water and sanitation needs through the water services development plan and integrated development plan; taking into account any applicable national and provincial development strategies;
- Recommend or determine the best methods, including partnership and other approaches, to deliver water and sanitation services, programs and services to the maximum benefit of the community
- Oversee random water quality testing undertaken within the district municipality
- Evaluate progress against the key performance indicators, which include provision of water and sanitation
- Monitor water services administration
- Oversee the provision of water and basic sanitation services to the community in a sustainable manner, in compliance with Section 3 of the Water Services Act
- Make recommendations to the Executive Committee about provision of water services to areas outside the district municipality
- Report to the Executive Committee on all decisions and resolutions taken by it
- Where necessary, make a request to the district municipality for financial, technical and administrative support services for unforeseen water development services, planning and provision related matters.

ii. Delegated Authority/ Powers of the Committee

The Committee shall have delegated powers with respect to the following, which may be extended or amended by the Executive Committee

- Participating in National and Provincial water and sanitation programs.
- Referral of any matter falling within its delegated authority to the Executive Committee for consideration in the first instance.
- Requesting that an item be deliberated in a joint session with another Municipal Council Committee.

- Formulating policies and procedures in respect of its legislative functions and considering all matters of a policy nature incidental to the terms of reference
- Any other authority delegated to it by the Executive Committee, notwithstanding that a request may be made for a delegation to be authorized

iii. Administrative Functions

- The Committee shall advise the Executive Committee on all fiscal and other strategies designed to promote development and sound management of water and sanitation issues
- The Committee shall set its annual calendar for meetings and programs
- The Committee shall oversee the implementation of resolutions taken by the Executive Committee with respect to relevant functions
- The Committee shall receive secretarial support services from the Corporate Services Department.
- The Executive Director: Water Services shall give direction, guidance, support and reports to the Committee.

E. STANDING COMMITTEE ON PUBLIC ACCOUNTS

Council established a municipal SCOPA by Council Resolution to oversee the expenditure of public funds in order to ensure the efficient and effective utilization of council resources and to enhance the political accountability of Council. The primary purpose of the municipal SCOPA is to assist Council in holding the executive and the municipal administration to account.

i. Functions and Powers

- SCOPA may examine the following documents:
 - Audit Report on annual financial statements of the Municipality
 - Any reports issued by the Auditor- General on the affairs of the Harry Gwala District Municipality.
 - The Annual report of the Municipality.
 - The Mayor’s quarterly report on the implementation of the budget and the financial state of affairs of the municipality;
 - Any other financial statement or reports referred to SCOPA by the Council.
 - Any information relating to personnel; books of account, records, assets and liabilities of the Council.
 - Relevant information that may be required for the purpose of fulfilling its mandate.

- SCOPA may report on or make recommendations in relation to any of the reports or financial statements which it may examine.
- In its examination (mentioned in 2) SCOPA must take into account previous statements and reports and consider the degree to which previously identified shortcomings have been rectified. The committee must report to Council on its findings.
- The committee shall initiate and develop the annual Oversight report on the Municipality's Annual Report.
- The committee may initiate, direct and supervise investigations referred to it and render an opinion on such recommendations.
- SCOPA may consider any Audit Committee recommendations referred to it and render an opinion on such recommendations.
- The committee may request or invite members of the public to attend any meeting of the Committee in terms of s.16(1) of the Municipal Systems Act, to assist it with the performance of its function
- SCOPA may co-opt advisory members or experts to advise the committee in its deliberations, provided that such persons may not vote on any matter

ii. Membership

SCOPA consists of five Councillors to be appointed by the Speaker as directed by the Council. The Council may, by the resolution remove from office one or more of the members of the Committee. If all the members of the committee are removed, a new election of members must be held.

SCOPA may co-opt not more than 5 advisory members who are not Councillors on the basis of their knowledge and experience in matters pertaining to the above terms of reference.

iii. Chairperson

The Council must elect the Chairperson of the committee from amongst the ordinary members of SCOPA and such office bearer must hold office for a term ending when the next Council is elected.

The committee must elect from amongst its ordinary members a deputy Chairperson and such office bearer must hold office for a term ending when the next council is elected.

iv. Quorum and Decision Making

A majority of the Committee constitutes a quorum for a meeting of the Committee. A question before the committee is decided if there is agreement amongst at least the majority of the members present at the meeting. If on any question there is an equality of votes, the members presiding must exercise a casting vote in addition to that member's vote as a member. Meeting of the committee must be conducted in accordance with the Standing

Rules of Order of Council and any dispute arising from an interpretation of such rules must be to the Speaker of the Council whose decision in the matter shall be final.

v. Meetings

The committee must meet at least bi-monthly as directed by the Speaker of the Council after consultation with the chairperson of the committee; subject to the condition that any cancellation/ postponement of a meeting is approved by the Speaker. The committee may determine its own procedure for the conducting of meetings.

vi. Relationship and Other Structures

SCOPA may liaise with:

- The Municipal Manager
- The Mayor;
- The internal Audit Unit of the Municipality
- The Audit Committee
- The person designated by the Auditor General to audit the financial statements of the municipality
- Other committees of the Harry Gwala Municipal Council; and
- Heads of Departments

SCOPA exercises an oversight role over the executive and the Administration with regard to matters falling within its area of competence. In keeping with good governance, an oversight committee cannot report to EXCO. SCOPA accordingly reports and makes recommendations to Council via the Speaker.

vii. Administration Support

Administration support to the Committee will be provided by the *Director of Corporate Services*.

Chapter 3 – Service Delivery Performance (Performance Report Part I)

Chapter 3 focuses on service delivery on a service-by-service basis. It considers municipal performance derived from IDP objectives, translated into the SDBIP and presents data on Community needs and resource deployment. The service delivery issues are structured, captured and reflected under the priorities contained in the IDP in order to allow easy comparisons on achievements against budget and SDBIP. Refer Annexure B.

COMPONENT A: FINANCIAL SERVICES

The employees and post numbers in the Financial Services Department are as follows, as at 30 June 2013:

Job Level	FY 2011/12	F/Y 2012/13		
	No. of Employees	No. of Funded Posts	No. of Employees	No. of Vacancies
Grade A 1-3	18	0	21	16
Grade B 1-5	6	0	8	13
Grade C 1-5	5	0	8	5
Grade D 1-5	1	0	3	1
Grade E 1-2	0	0	1	0
Total	30	0	41	35

In the finance section a total number of 13 targets were set aside for the 2012/2013 performance. Out of the 13 targets this department managed to achieve 10 targets. The reason why the other three targets were not met is said to be Water Services department which needs to improve water quality and quality of water meter infrastructure.

Total number of planned targets = 13

Total number of achieved targets = 10

Total number of targets not achieved = 3

DETAILS	FY 2011/12	F/Y 2012/13			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	233 189 929	229 105 477	223 034 508	207 906 078	15 128 430
Expenditure:					0
Employees	8 076 165	9 685 941	9 572 097	9 897 589	-325 492
Repairs And Maintenance	0	0	0	0	0
Other	39 479 474	42 503 074	43 050 405	20 667 980	22 382 425
Total Operational Expenditure	47 555 639	52 189 015	52 622 502	30 565 569	22 056 933
Net Operational Expenditure	185 634 290	176 916 462	170 412 006	177 340 509	-6 928 503

During 2012/13, debt recovery was handled as follows:

SERVICES	ACTUAL ACCOUNTS BILLED IN 1213	% PROPORTION OF ACCOUNTS VALUE BILLED THAT WERE COLLECTED
Water B	R3 813 416.38	2.91%
Water C	R29 884 197.98	66.81%
Sanitation	R13 105 906.41	48.62%

Corrective Measure by the Finance Department

- To liaise with WSA on the issues of water & sanitation consumer awareness and updating of the indigent register.
- Water Governance Committee to sit on a monthly basis and to encourage Water Services to supply the requested reports on a Monthly basis to this committee.

COMPONENT B: WATER SERVICES

The employees and post numbers in the Water Services Department are as follows, as at 30 June 2013:

Job Level	FY 2011/12	F/Y 2012/13		
	No. of Employees	No. of Funded Posts	No. of Employees	No. of Vacancies
Grade A 1-3	83	0	97	225
Grade B 1-5	59	1	70	121
Grade C 1-5	29	4	32	20
Grade D 1-5	13	0	16	10
Grade E 1-2	1	0	2	2
No grade	1	0	1	0
Total	186	5	218	378

The municipality is currently planning for six regional schemes that are meant to address the current imbalances between supply and demand due to stand-alone rudimentary schemes such as boreholes, protected springs etc.

This move will further the issue of water quality since water from these regional schemes will be purified in bulk to meet the blue drop requirement.

LOCAL MUNICIPALITY	STORAGE (m ³)	AGRICULTURE	FORESTRY	WATER SUPPLY SERVICE	INDUSTRY & MINING
		(m ³ /annum)	(m ³ /annum)	(m ³ /annum)	(m ³ /annum)
Ingwe	10 429 480	25 431 501	23 779 273	1 164 574	126 250
KwaSani	26 084 800	39 110 381	7 655 851	1 921 575	128 600
Greater Kokstad	1 280 227 400	33 340 523	2 726 074	8 066 571	36 792
Ubhulebezwe	8 906 520	17 016 054	15 686 612	2 220 115	0
Umzimkhulu	306 050	1 627 700	18 993 921	3 491 225	18 250
Totals	1 325 954 250	116 526 159	68 841 731	16 864 060	309 892

It evident from the above table that the Agricultural sector is consuming high volumes of water from existing resources as compared to the provision of water for human consumption. The Industry and Mining sectors are consuming the least.

The water service delivery levels are as follows:

Water (above min level)	2010/2011	2011/2012	2012/2013
piped water inside dwelling	15825	15825	15825
piped water inside yard (but not in dwelling)	0	0	0
Using public tap (within 200m from dwelling)	50481	52000	55000
other water supply (within 200m from dwelling)			
min service level and above sub-total	66306	67825	70825
min service level and above percentage	59.18%	60.53%	63.20%
Water (below min level)			
Using public tap (more than 200m from dwelling)			
other water supply (more than 200m from dwelling)	45751	44232	41232
no water supply			
below minimum service level sub-total	45751	44232	41232
below minimum service level percentage	40.82%	39.47%	36.80%
total number of households (including informal settlements)	112057	112057	112057
Formal Settlements			
Total Households	96232	96232	96232
Households below minimum service levels	45751	44232	41232
Proportion of households below minimum service levels	47.54%	45.96%	42.85%
Informal Settlements			
Total Households	0	0	0
Households below minimum service levels	0	0	0
Proportion of households below minimum service levels	0	0	0

A total number of 24 service delivery targets were set by the Water Services Department for the FY2012/2013. Out of the 24, the department managed to meet 10 targets. The challenge in not meeting some of the targets was owing constraints related to budget and personnel to champion the set objectives.

Total number of targets set = 24

Total number of targets achieved = 10

Total number of targets not achieved = 14

DETAILS	FY 2011/12	F/Y 2012/13			VARIANCE TO BUDGET
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	
Total Operational Revenue	233 189 929	229 105 477	223 034 508	207 906 078	15 128 430
Expenditure:					
Employees	8 076 165	9 685 941	9 572 097	9 897 589	-325 492
Repairs and Maintenance	0	0	0	0	0
Other	39 479 474	42 503 074	43 050 405	20 667 980	22 382 425
Total Operational Expenditure	47 555 639	52 189 015	52 622 502	30 565 569	22 056 933
Net Operational Expenditure	185 634 290	176 916 462	170 412 006	177 340 509	-6 928 503

Corrective measures by the Department

1. Ensure that the planned targets have sufficient budget and personnel to champion those programmes and projects.

COMPONENT C: CORPORATE SERVICES

The employees and post numbers in the Corporate Services Department are as follows, as at 30 June 2013:

Job Level	FY 2011/12	F/Y 2012/13		
	No. of Employees	No. of Funded Posts	No. of Employees	No. of Vacancies
Grade A 1-3	9	0	9	4
Grade B 1-5	8	1	7	5
Grade C 1-5	8	1	8	6
Grade D 1-5	1	2	6	9
Grade E 1-2	2	0	2	3
No grade	0	0	1	0
Total	28	4	33	27

In this department there was a total of 21 planned targets for the 2012-2013 financial year. Out of the 21 targets, 12 targets were met and 9 were not met. The most ubiquitous challenge in meeting these targets is the lack of human resource capacity in the department as well limited time and budget in the executing of some of the planned targets.

Total number of targets set = 21

Total number of targets achieved = 12

Total number of targets not met = 9

DETAILS	FY 2011/12	F/Y 2012/13			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	264 091				0
Expenditure:					0
Employees	7 048 535	10 186 526	10 189 526	8 659 661	-1 529 865
Repairs and Maintenance	2 557 252	1 910 000	983 035	692 482	-290 553
Other	32 545 469	22 553 105	22 693 183	24 725 058	2 031 875
Total Operational Expenditure	42 151 256	34 649 631	33 865 744	34 077 201	211 457
Net Operational Expenditure	-41 887 165	-34 649 631	-33 865 744	-34 077 201	-211 457

Corrective measures by the Department

- Planned targets to be in line with the budget and staff complement.

COMPONENT D: SOCIAL, ECONOMIC, PLANNING AND DEVELOPMENT

The employees and post numbers in the Social, Economic, Planning and Development Department are as follows, as at 30 June 2013:

Job Level	FY 2011/12	F/Y 2012/13		
	No. of Employees	No. of Funded Posts	No. of Employees	No. of Vacancies
Grade A 1-3	2	0	0	0
Grade B 1-5	2	0	2	0
Grade C 1-5	9	1	15	4
Grade D 1-5	7	1	12	12
Grade E 1-2	4	0	4	1
No grade	1	1	0	1
Total	25	3	33	18

Planning and Development

The role of SDM in planning strategies is to support (Financially and Technical Skills) Local Municipalities in developing urban regeneration strategies as part of addressing spatial equity. In the 2012/2013 SDM supported Ingwe LM in developing the urban regeneration strategy for the Bulwer Town. As part of strategic SDM, LMs and Cogta hosted the Growth and Development Summit with an intention to showcase economic development opportunities emanating from the existing urban regeneration strategies.

Economic Activity by Sector (R'000)			
Sector	FY 10/11	FY 11/12	FY 12/13
Agric, forestry and fishing	1821.2 M	1827.6	N/A
Mining and quarrying			
Manufacturing	4370.3	4687.4	N/A
Wholesale and retail trade	1420.7	1504.5	N/A
Finance, property, etc.			
Govt., community and social services	2664.1	2808.1	N/A
Infrastructure services			

Economic Employment by Sector (Jobs)			
Sector	FY 13/14	FY 11/12	FY 12/13
Agric, forestry and fishing	12.2%	11.1%	N/A
Mining and quarrying	-	-	-
Manufacturing	12.2	12.1	N/A
Wholesale and retail trade	14.2	14.1	N/A
Finance, property, etc.	-	-	-
Govt., community and social services	34.8	35.3	N/A
Infrastructure services	-	-	-

In the 2012-2013 financial year, this department had 70 planned targets. Out of the 70 targets that were being implemented 48 were achieved and 22 could not be achieved. A number of targets that could not be met are in Youth and Development and the Sisonke Development Agency. The main reason these targets were not met is mainly around budget issues. Some of the projects did not have enough funds to be executed.

Total number of targets set = 70

Total number of targets achieved = 48

Total number of targets not met = 22

DETAILS	FY 2011/12	F/Y 2012/13			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue		400 000	400 000		-400 000
Expenditure:					0
Employees	8 996 386	12 769 460	12 769 460	12 878 455	108 995
Repairs and Maintenance					0
Other	61 348 740	20 439 807	27 828 176	19 547 187	-8 280 989
Total Operational Expenditure	70 345 126	33 209 267	40 597 636	32 425 642	-8 171 994
Net Operational Expenditure	-70 345 126	-32 809 267	-40 197 636	-32 425 642	7 771 994

It must be noted that the total project value represents the estimated cost of the project on approval by Council (including past and future expenditure, as appropriate).

Corrective measures by the department

- Only projects with enough budget will be put in the SDBIP
- Proper planning to allow enough time for the implementation of all the projects in the SDBIP.

COMPONENT E: INFRASTRUCTURE

The employees and post numbers in the Infrastructure Department are as follows, as at 30 June 2013:

Job Level	FY 2011/12	F/Y 2012/13		
	No. of Employees	No. of Funded Posts	No. of Employees	No. of Vacancies
Grade A 1-3	1	0	1	1
Grade B 1-5	3	0	3	6
Grade C 1-5	6	2	10	5
Grade D 1-5	1	0	3	0
Grade E 1-2	1	0	1	0
Total	12	2	18	12

Water Services Development Plan (WSDP) is the umbrella framework for the provision of water and sanitation services plans. It addresses the full spectrum of water supply and sanitation services. Over and above that, SDM ensures the alignment of policies, legislation and strategies. Some of the strategies outlined in a WSDP are free basic services strategy, water resources strategy and national water strategy.

Sanitation service delivery levels				
Description	FY2009/10	FY2010/11	FY2011/12	FY2012/13
	Actual No. households	Actual No. households	Actual No. households	Actual No. households
Sanitation / sewerage (above min level)				
Flush toilet (connected to sewerage)				
Flush toilet (with septic tank)				
Chemical toilet				
Pit toilet (ventilated)	2339	3457	1771	3089
Other toilet provisions (above min service level)				
Min. service level and Above sub-total				
Min. service level and Above Percentage				
Bucket toilet				
Other toilet provisions (below min service level)				
No toilet provisions				
Below Minimum Service Level sub-total	0	0	0	0
Below Minimum Service Level percentage				
Total number of households (incl. informal settlements)	0	0	0	

There was a total of 18 targets that were planned for the 2012-2013 financial year under Infrastructure and Services Department. Out of the 18 planned targets 14 were successfully executed. The reason for the shortfall is that some of the targets were not realistic.

Total number of targets set = 18

Total number of targets achieved = 14

Total number of targets not achieved= 4

DETAILS	FY 2011/12	F/Y 2012/13			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
Total Operational Revenue	179 004 253	185 521 000	207 887 000	3 200 000	-204 687 000
Expenditure:					0
Employees	7 079 914	6 763 418	6 763 418	7 820 649	1 057 231
Repairs and Maintenance	360 220	510 670	75 188	43 859	-31 329
Other	45 763 731	3 981 305	53 793 184	62 562 148	8 768 964
Total Operational Expenditure	53 203 865	11 255 393	60 631 790	70 426 656	9 794 866
Net Operational Expenditure	125 800 388	174 265 607	147 255 210	-67 226 656	-214 481 866

Capital Projects	F/Y 2012/13			
	Budget	Adjustment Budget	Actual Expenditure	Total Project Value
Makhoba Housing Water Project A	2,500,000.00	N/A	2,410,921.83	13,562,395.00
Santombe/Mnqumeni Water Project B	25,524,350.00	N/A	12,027,823.64	66,198,348.00
Chibini Water Supply Project C	7,022,734.00	N/A	8,725,728.34	30,173,853.00
Mqatsheni Water Project D	3,500,000.00	N/A	4,109,048.93	34,691,096.00

It must be noted that the total project value represents the estimated cost of the project on approval by Council (including past and future expenditure, as appropriate).

Corrective measures from the department

- Ensure that when setting Key Performance Indicators and targets the SMART principle is applied.

COMPONENT F: EXECUTIVE AND COUNCIL

The employees and post numbers in the Office of the Municipal Manager are as follows, as at 30 June 2013:

Executive Committee

- Mayor X1
- Deputy Mayor X1
- Executive Committee members X3

Other Councillors

- Speaker
- Councillors who are directly and indirectly elected X20

Total Number of Councillors = 26

Staff Profile in the Office of the Mayor

Staff Profile	Status of position
Director Strategic Support	Filled
Administration Officer	Filled
Spokesperson	Vacant
Personal Assistant	Vacant
Driver: Mayoral Services	Filled
Secretary	Filled
HIV/ AIDS Coordinator	Vacant

OFFICE OF THE MUNICIPAL MANAGER

There is a total of 10 targets that were planned and all of them were met.

Total number of targets set = 10

Total number of targets achieved = 10

Total number of targets not met = 0

Chapter 4 – Organisational Development Performance (Performance Report Part II)

Public sector information across all three spheres of government is required to improve service delivery across the public sector. Therefore, Public Service Regulations (2001), Chapter 1, Part III J.3: from 1 April 2001, require Annual Reports to include information on planning, service delivery, organisation, job evaluation, remuneration, benefits, personnel expenditure, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labour relations, leave and discharge due to ill-health, etc.

In order to measure the outcome of effective organisational development the following is highlighted:

- organisational structure enhancement;
- increased accountability;
- increased participation in problem solving, goal setting and new ideas; and
- identifying and development of skills needed to perform

In relation to the above, the content of this chapter include the following components:

- **Component A:** Introduction to the municipal workforce
- **Component B:** Managing the municipal workforce
- **Component C:** Capacitating the municipal workforce
- **Component D:** Managing the municipal workforce expenditure

A. COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The information cited hereunder is as per the approved Organisational structure, as at 30 June 2013.

EMPLOYEES					
Description	FY 2011/12	F/Y 2012/13			
	No. of Employees	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)
Office of the Municipal Manager	15	16	13	3	19%
Financial Services	30	76	41	35	46%
Water Services	186	601	218	378	63%
Corporate Services	28	64	33	27	42%
Social, Economic, Development Planning	25	54	33	18	33%
Infrastructure	12	34	18	12	35%
Total	296	845	356	473	56%

Vacancy Rate: 2012/13			
Description	Total No. of Approved Posts	Vacancies	Vacancies (as a % of total posts per category)
Municipal Manager	1	0	0%
CFO	1	0	0%
s.57 Managers (excluding Finance)	1	1	100%
s.56 Managers (excluding Finance)	0	0	0%
s.56 Managers (Finance posts)	0	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance)	74	37	50%
Highly skilled supervision: levels 9-12 (Finance posts)	17	6	35%
Total	94	44	47%

B. COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(I)(c), to ensure fair, efficient, effective and transparent personnel administration ..." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during FY2012/13.

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	% Complete	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
1	Acting in higher position	100%	N/A	Adopted on 28 May 2009
2	Annual leave policy	100%	N/A	Adopted on 28 May 2009
3	Bursary policy	100%	N/A	Adopted on 28 May 2009
4	Employee wellness policy	100%	N/A	Adopted on 28 May 2009
5	Family responsibility leave	100%	N/A	Adopted on 28 May 2009
6	HIV and AIDS policy	100%	N/A	Adopted on 28 May 2009
7	Induction policy	100%	N/A	Adopted on 28 May 2009
8	Internal transfer policy	100%	N/A	Adopted on 28 May 2009
9	Internship policy	100%	N/A	Adopted on 28 May 2009
10	Leavership policy	100%	N/A	Adopted on 28 May 2009
11	Occupational health and safety policy	100%	N/A	Adopted on 28 May 2009
12	Parental leave	100%	N/A	Adopted on 28 May 2009
13	Probation leave	100%	N/A	Adopted on 28 May 2009
14	Recruitment and selection policy	100%	N/A	Adopted on 28 May 2009
15	Sexual harassment policy	100%	N/A	Adopted on 28 May 2009
16	Sick leave	100%	N/A	Adopted on 28 May 2009
17	Skills development policy	100%	N/A	Adopted on 28 May 2009
18	Staff appointment policy	100%	N/A	Adopted on 28 May 2009
19	Study leave policy	100%	N/A	Adopted on 28 May 2009
20	Subsidized motor vehicle scheme	100%	N/A	Adopted on 28 May 2009
21	Termination of service policy	100%	N/A	Adopted on 28 May 2009
22	Travel and subsistence policy	100%	N/A	Adopted on 28 May 2009
23	Experiential training	100%	N/A	Adopted on 28 May 2009

4.3 INJURIES, SICKNESS AND SUSPENSIONS

There were five days lost when four of our employees were injured at work. Those employees only required basic medical attention thus the first aiders utilised the provided first aid kits. Furthermore, there were 24 days lost when two of our employees were injured at work. Those employees had to be referred to a registered Medical Practitioner for assessment.

Steps taken to reduce injuries:

- a) The municipality conducted a wellness day where employees were encouraged about living healthy lifestyle so that they can be fully fit at work.
- b) The municipality has procured signs which included warning signs, they were installed in different offices.
- c) The municipality has done a risk assessment which was basically to identify hazards and associated risks, management recommendations were made so to minimise risk
- d) The municipality has provided Employee Protective Clothing for those hazards that employees are exposed to which cannot be eliminated.

Number and Cost of Injuries on Duty				
Type of Injury	Injury Leave Taken (Days)	No. of Employees Using Injury Leave	% Proportion of Employees Using Sick Leave	Average Injury Leave per Employee
Required basic medical attention only	5	4	80%	1.25
Temporary disablement	24	1	4%	24
Permanent disablement	0	0	0%	0
Fatal	0	0	0%	0
Total	29	5	84%	25.25

Number of days and Cost of sick leave (excluding Injuries on Duty)				
Salary band	Total Sick Leave Days	No. of employees using sick leave	Total no. of employees in post	Average sick leave per employee (Days)
Lower skilled (Levels 1-2)	285	19	118	2.42
Skilled (Levels 3-5)	233	23	103	2.26
Highly skilled production (Levels 6-8)	126	25	42	3.00
Highly skilled supervision (Levels 9-12)	258	38	41	6.29
Senior management (Levels 13-15)	54	8	28	1.93
MM and s.57	1	1	6	0.17
Total	957	114	338	2.83

It should be noted that the "Total Number of Employees in Post" refers to the number of employees in post at the beginning of the FY2012/13.

Number and Period of Suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or Status of case and reasons why not finalized	Date finalized
General Assistance	<ul style="list-style-type: none"> - Unauthorized utilization of the municipal petrol card - Incorrectly recording of the mileage of a municipal vehicle - Failure to garage the municipal vehicle at the main depot 	17 August 2012	Pending finalization	Not yet finalized

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand value of any loss to SDM	Disciplinary action taken	Date finalized
N/A	N/A	N/A	N/A

There is no municipal official that has been suspended from work for more than 4 months.

4.4 PERFORMANCE REWARDS

Performance Rewards by Gender					
Designations	Gender	Total No. of Employees in Group	No. of Beneficiaries	Expenditure on Rewards FY2013/14 (R'000)	% Proportion of Beneficiaries Within Group
Lower skilled (Levels 1-2)	Female	0	0	0	0
	Male	0	0	0	0
Skilled (Levels 3-5)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled production (Levels 6-8)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled supervision (Levels 9-12)	Female	0	0	0	0
	Male	0	0	0	0
Senior management (Levels 13-15)	Female	0	0	0	0
	Male	0	0	0	0
MM and s.57	Female	0	0	0	0
	Male	0	0	0	0
Total		0	0	0	0

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.5 SKILLS DEVELOPMENT AND TRAINING

In accordance with the National Treasury: Local Government: MFMA Competency Regulations, progress in the SDM financial competency development is as follows:

Financial Competency Development: Progress Report						
Description	A. Total no. of official employed by SDM	B. Total no. of official employed by SDM Entities	Consolidated Total (A+B)	Consolidated competency assessments completed for A & B	Consolidated no. of officials whose performance agreements comply with Reg. 16	Consolidated no. of officials who meet prescribed competency levels
Financial Officials						
Accounting officer	1	0	1			
Chief financial officer	1	1	2			
Senior managers	6	2	8			
Any other officials	9	0	9			
Supply Chain Management Officials						
Heads of SCM unit	1	0	1			
SCM senior managers	0	0	0			
Total			21	4	5	4

Skills Development Expenditure (R'000)										
Original Budget & Actual Expenditure on Skills Development										
Management level	Gender	Employees as @ beginning of FY12/13	Learnerships		Skills Programmes & Other short Courses		Other Forms of Training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM & s57	Female	2					98 000	98 000	98 000	98 000
	Male	4					147 000	147 000	147 000	147 000
Legislators, senior officials and managers	Female	15			50 000	60 000		49 000	50 000	109 000
	Male	26			50 000	79 000		98 000	50 000	177 000
Professionals	Female	20			105 000	92 000			105 000	92 000
	Male	26			90 000	72 000			90 000	72 000
Technicians and associate professionals	Female	6								
	Male	35								
Clerks	Female	44		60 000	125 000	137 000			125 000	197 000
	Male	23		15 000	103 000	103 000			99 000	118 000
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female	4					10 000		10 000	
	Male	22					50 000		50 000	
Elementary occupations	Female	39					60 000	54 000	60 000	54 000
	Male	91					90 000	70 000	90 000	78 000
Sub-total	Female	127		60 000	280 000	289 000	168 000	201 000	448 000	550 000
	Male	219		15 000	239 000	254 000	287 000	323 000	526 000	1 592 000
Total		346		75 000	519 000	543 000	455 000	524 000	974 000	1 142 000
% and R value of municipal salaries (original budget) allocated for workplace skills plan									13.10%	R866 240 49

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

Harry Gwala District Municipality conducts its training through the Work Place Skills Plan. In the 2012/ 2013 financial the whole training budget was utilized, it is worth noting that the current budget is inadequate to train the affected staff.

4.6 EMPLOYEE EXPENDITURE

Number of employees whose salaries were increased due to positions being upgraded		
Designations	Gender	Total No. of Employees
Lower skilled (Levels 1-2)	Female	None
	Male	None
Skilled (Levels 3-5)	Female	None
	Male	None
Highly skilled production (Levels 6-8)	Female	None
	Male	None
Highly skilled supervision (Levels 9-12)	Female	None
	Male	None
Senior management (Levels 13-15)	Female	None
	Male	None
MM and s.57	Female	None
	Male	None
Total		None

Employees whose salary levels exceed the grade determined by job evaluation				
Occupation	No. of employees	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A

Job evaluation process is currently underway thus the table above is not applicable.

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A

The SDM Organisational structure was approved after engagement of the employer and employee representatives. There are no positions that were upgraded in the 2012-2013 financial year because the municipality is waiting for the job evaluation processes to resume.

Chapter 5 Financial Performance

5.1 BACKGROUND

The consolidated financial position of Harry Gwala District Municipality is best illustrated by the following measurements which, reflect the financial management in place. The analysis of the Municipality's financial statements reveals much great improvement, as reflected in a positive trajectory of municipal recovery. This ultimately contributes to the financial sustainability of the municipality.

The Municipality has had the highest cash and cash equivalent balance in four years (*i.e.* R32 million at year end). As the District's budget is largely funded from provincial and national government grants and subsidies and the poverty levels impacting on the municipal consumers' affordability levels, it should be noted that the financial recovery process could span into the medium term.

In keeping up with the previous years' trends, the Annual Financial Statements were completed and submitted within the statutory timeframes and GRAP standards. These Annual Financial statements include the statement of financial performance, financial position, cash flow and notes to the financial statements. As the municipality began its operations in this current year, the parent municipality had to prepare consolidated financial statement for the first time since its incorporation. An improvement from a qualified opinion to an unqualified opinion was achieved in the current year.

The information in this chapter is further unpacked under the following components;

- ✓ **Component A:** Statement of Financial Performance
- ✓ **Component B:** Spending Against Capital Budget
- ✓ **Component C:** Cash Flow Management and Investment
- ✓ **Component D:** Other Financial Matters

5.2 Component A: Statement Of Financial Performance

Table 5.1: Statement of financial performance

HARRY GWALA DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY										
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS										
FOR THE YEAR ENDED 30 JUNE 2013										
Description	2012/13									
	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance (1) between Original and	% Var	Note on variances (1)	Variance (2) between Final Budget and	% Var	Note on variances (2)
REVENUE: Financial Performance										
Service charges	35 780 014	39 581 724	39 581 727	39 865 235	3 801 713	11%	Upward adjustment of billing due to higher than forecasted billing.	283 508	1%	The positive variance resulted from over than budgeted billing.
Interest earned - external investments	3 344 887	1 999 887	2 000 000	3 001 076	(1 344 887)	-40%	Downward adjustment of interest income due to low investment balances and lower interest rates.	1 001 076	50%	The positive variance resulted from the conservative approach used in budgeting for the interest earned.
Transfers recognised - operating	219 600 000	235 069 559	237 069 559	222 991 070	17 469 559	8%		(14 078 489)	-5.9%	The positive variance resulted from the conservative approach used in budgeting for the interest earned.
Other income	19 954 590	15 228 508	15 228 392	2 846 052	(4 726 198)	-24%	The decrease in other income resulted from the lower than expected roll over funding.	(12 382 340)	-81%	decrease in other income resulted from the lower than expected roll over funding and the differences in accounting for roll overfunding.
Total Revenue (excluding capital)	278 679 491	291 879 678	293 879 678	268 703 433	15 200 187			(25 176 245)		

HARRY GWALA DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13									
	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance (1) between Original and	% Var	Note on variances (1)	Variance (2) between Final Budget and	% Var	Note on variances (2)
OPERATIONS: Financial Performance										
Employee Related Costs	82 083 074	81 710 791	82 710 791	81 489 478	627 717	1%	Immaterial	1 221 313	1%	Immaterial
Remuneration of Councilors	5 540 975	5 540 975	5 540 975	4 937 486	-	0%	Immaterial	603 489	11%	Positive variance resulted from the overbudgeting in Councilor allowances
Depl impairment	7 156 003	11 874 518	11 874 518	15 023 138	4 718 515	66%	Immaterial	(3 148 620)	-27%	The overexpenditure resulted from the higher than expected Debt Impairment adjustment.
Depreciation and asset impairment	23 000 000	20 000 000	20 000 000	29 760 830	(3 000 000)	-13%	Decreased depreciation budget	(9 760 830)	-49%	Higher than budgeted depreciation.
Finance charges	3 042 480	3 042 480	3 042 480	3 793 245	-	0%	Immaterial	(750 766)	-25%	Negative variance due to underbudgeting for the interest costs on Borrowing
Bulk Purchases	7 500 000	9 240 000	9 240 000	9 709 726	1 740 000	23%	Upward adjustment due to higher than expected bulk water purchases in the first six months of the year.	(469 726)	-5%	Immaterial
Contracted services	32 153 960	56 849 287	56 849 287	23 175 395	24 695 327	77%	Upward adjustment due to reclassification of line items.	33 673 892	59%	Underexpenditure due to the Reclassification of expenditures because of their nature.
Transfers and grants	-	9 568 515	9 568 515	7 489 942	9 568 515			2 078 573	22%	Underexpenditure due to the budget savings
Other expenditure	71 626 920	109 067 606	110 067 606	176 871 038	38 440 686	54%	Upward adjustment due to reclassification of capital expenditure line items to opex.	(66 803 431)	-61%	Underexpenditure resulted mainly from the excessive costs incurred in the water & sanitation infrastructure Operations and Maintenance costs. Included in this over expenditure items resulting from
Loss on disposal of PPE	-	-	-	137 537	-			(137 537)		Unforeseen loss on disposal not budgeted for.
Total Expenditure	232 103 412	306 894 172	308 894 172	382 387 816	76 790 760			(43 493 644)		
Surplus	46 576 079	(15 014 494)	(15 014 494)	(83 684 383)	(61 590 573)			-		

HARRY GWALA DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13									
	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance (1) between Original and	% Var	Note on variances (1)	Variance (2) between Final Budget and	% Var	Note on variances (2)
Transfers recognised - capital	183 745 000	206 111 000	206 111 000	236 984 333	22 366 000	12%	increase in transfers recognised resulted mainly from the rollover funding. R18m of this amount being attributable to the roll over funding of COGTA Umzimkhulu funding.	(30 873 333)	-15%	The over recognition of the transfers; capital was mainly attributable to the Regional Bulk Infrastructure grant expenditure which was not budgeted as was it was not in the DORA.
Contributions recognised - capital and contributed assets										
Surplus after capital transfers & contributions	230 301 079	174 026 948	174 026 948	160 454 021	(39 224 573)			(30 873 333)	-18%	
Share of surplus of associate										
Surplus for the year	230 301 079	174 026 948	174 026 948	160 454 021	(39 224 573)			(30 873 333)	-18%	
Capital Expenditure & funds sources										
Capital Expenditure	216 309 804	199 707 960	206 643 211	208 063 697	(22 842 736)	-11%	The decrease in capital expenditure resulted from some capital projects being moved to the operational budget	(1 420 486)	-1%	The overexpenditure resulted from the overperformance on the capital programmes.
Transfers recognised - capital	192 736 317	144 385 595	144 385 595	173 239 770	(48 350 722)			(28 854 125)		
Public Contributions and Donations	16 638 236	22 585 120	22 585 120	15 056 090	5 946 884			7 529 030		
Borrowing	-	-	-	-	-			-		
Internally generated fund	-	19 561 102	19 561 102	19 561 102	19 561 102			-		
Total Sources of capital	209 374 553	186 531 817	186 531 817	207 856 912	-			-		

GRANTS PERFORMANCE

Table 5.2 Grants Performance

GRANTS PERFORMANCE					
Description	Current Year 2012/13			Variance	
	Original Budget	Adjusted Budget	Actual	Budget	Adjusted Budget
R thousand					
Operating Transfers and Grants					
National Government:	217 200	217 200	217 200	–	–
Local Government Equitable Share	203 556	203 556	203 556	–	–
Finance Management	1 250	1 250	1 250	–	–
Municipal Systems Improvement	1 000	1 000	1 000	–	–
Water Services Operating Subsidy Grant	9 618	9 618	9 618	–	–
Rural Transport Services and Infrastructure Grant	1 776	1 776	1 776	–	–
Provincial Government:	400	11 530	11 530	(11 130)	–
Departmental of Higher Education and Training		11 130	11 130	(11 130)	–
District Growth Development Summit	400	400	400	–	–
Total Operating Transfers and Grants	217 600	228 730	237 070	(11 130)	–
Capital Transfers and Grants					
National Government:	183 745	185 311	185 311	(1 566)	–
Municipal Infrastructure Grant (MIG)	165 717	165 717	165 717	–	–
Regional Bulk Infrastructure	15 000	15 000	15 000	–	–
Expanded public works programme incentive grant	3 028	4 594	4 594	(1 566)	–
Provincial Government:	–	20 800	20 800	(20 800)	–
Cogta	–	12 800	12 800	(12 800)	–
Massification	–	8 000	8 000	(8 000)	–
Total Capital Transfers and Grants	183 745	206 111	206 111	(22 366)	–
TOTAL RECEIPTS OF TRANSFERS & GRANTS	401 345	434 841	443 181	(33 496)	–

ASSET MANAGEMENT

Since the transfer of the Water & Sanitation function from the Local Municipalities in 2004, the Council has always focused its efforts on an efficient Asset Management. Due to the high maintenance deficit that this infrastructure was inherited with, the municipality achieved great lengths in the repairs and maintenance of its capital infrastructure. A detailed Asset Register has been updated in partnership with the Water & Sanitation engineering department. To fully reflect the R1,2 billion infrastructure investments there has been a focus on accurate conditional assessments of assets and assessment of replacement costs. A detailed Asset Management Policy has been developed and implemented.

CAPITAL SPENDING ON 4 LARGEST PROJECTS

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. This section deals with capital spending indicating where the funding comes from and whether SDM was able to spend the available funding as planned.

Table 5.3: Capital Projects

Capital Expenditure of 4 largest projects					
Name of projects	Current: Year 2012/13			Variance Current Year	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment Variance
A - Eradication of Sanitation Backlogs (Ingwe, Umzimkhulu and Ubuhlebezwe)	30 500 000	48 200 000	48 200 000	-17 700 000	0
B- Bulwer Emergency	15 000 000	17 000 000	16 900 000	-1 900 000	100 000
C- Horseshoe Sanitation	4 500 000	12 500 000	6 079 025	-1 579 025	6 420 975
D- Rainwater Harvesting	2 000 000	11 700 000	11 700 000	-9 700 000	0

NAME OF PROJECT -A	Eradication of Sanitation Backlogs (Ingwe, Umzimkhulu and Ubuhlebezwe)
OBJECTIVE OF PROJECT	To implement VIP sanitation infrastructure

DELAYS	Appointment of emerging contractors
FUTURE CHALLENGES	Alignment of rates quoted by emerging contractors with what is approved by DWA
ANTICIPATED CITIZEN BENEFIT	4 615 Households

NAME OF PROJECT -B	Bulwer Emergency Intervention
OBJECTIVE OF PROJECT	To supply potable and sustainable water to the community of Bulwer Town and surroundings
DELAYS	Land legal issues, Enviromental Impact Assessments
FUTURE CHALLENGES	Funding source to complete project
ANTICIPATED CITIZEN BENEFIT	21 448 households

NAME OF PROJECT -C	Horseshoe Sanitation
OBJECTIVE OF PROJECT	Conversion of Pit Toilets into hygienic waterborne toilets
DELAYS	Poor contractor workmanship and slow progress
FUTURE CHALLENGES	Funding source to complete project
ANTICIPATED CITIZEN BENEFIT	1500 households

NAME OF PROJECT -D	Rainwater Harvesting
OBJECTIVE OF PROJECT	Interim measure to supply communities that are far from obtaining water from conventional water supply system
DELAYS	None
FUTURE CHALLENGES	Rainwater Harvesting System is dependant on rainfall season
ANTICIPATED CITIZEN BENEFIT	2500 households

BORROWING AND INVESTMENT

Table 5.4: Borrowing & Investments

Actual Borrowings: FY2010/11 to FY2012/13			
Instrument	FY2010/11	FY2011/12	FY2012/13
Municipality			
Long term loans	35 316 804	32 175 227	28 893 009
Financial leases	5 941 062	4 857 793	5 973 970
Municipality Total	R41 257 866	R37 033 020	R34 866 979

The Municipality made borrowings in order to meet the demand for basic services of the community, in particular for water at the basic RDP level. The municipality's loans composition is two-fold, viz. two (2) DBSA loans and one (1) ABSA Loan. One of the DBSA Loans is expected to be redeemed in the next financial year (2013/14).

PUBLIC PRIVATE PARTNERSHIPS

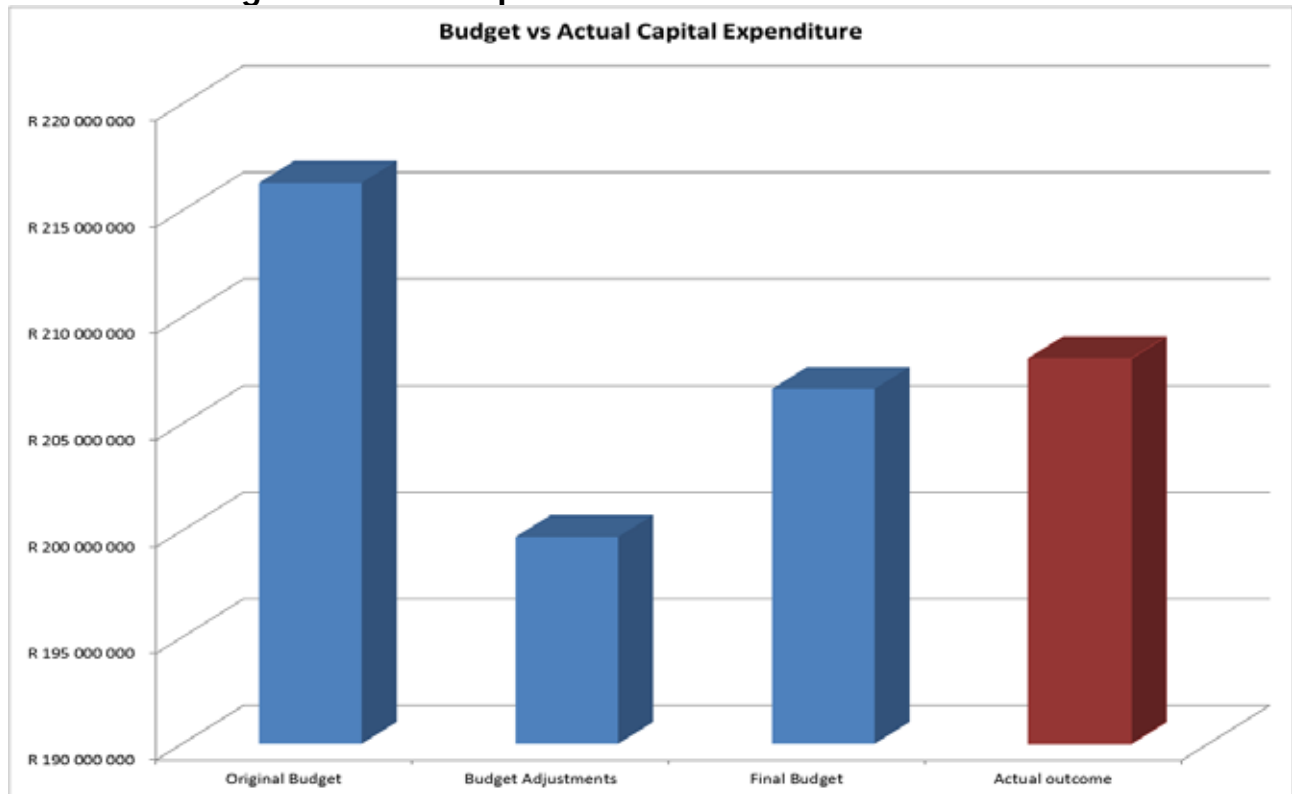
Harry Gwala District Municipality does not have a Public Private Partnership arrangement.

DRAFT

5.3 Component B: Spending Against Capital Budget

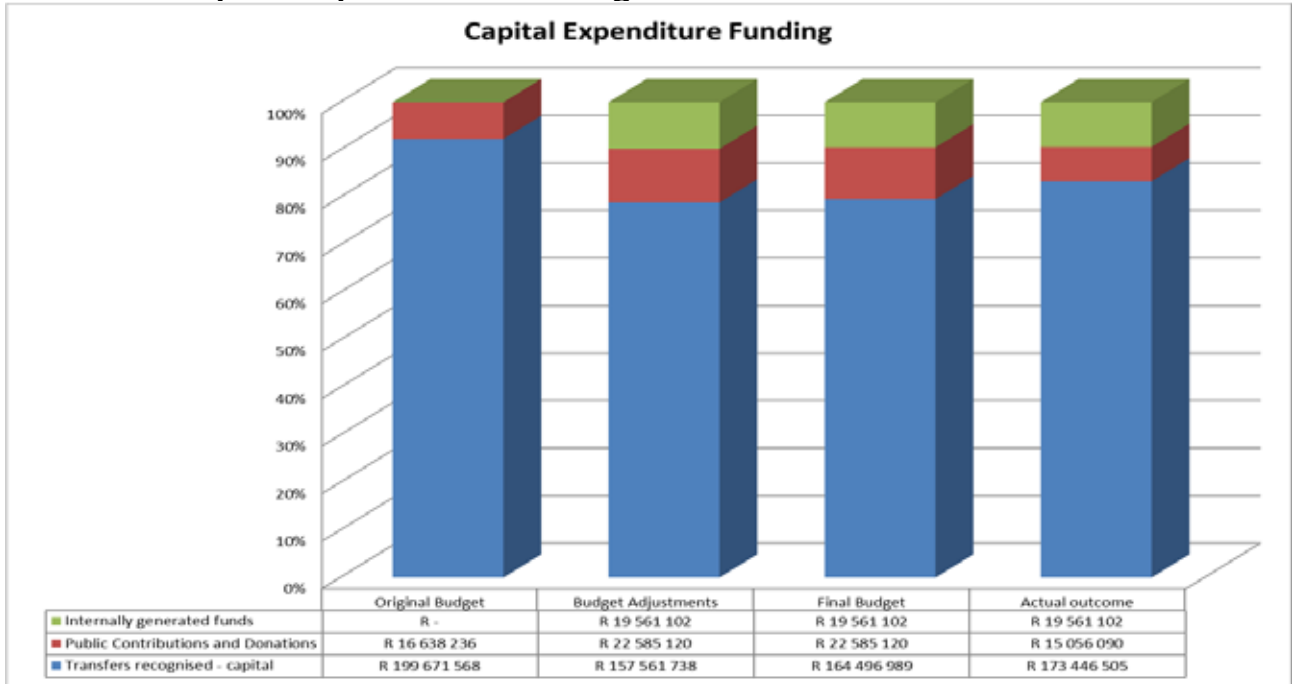
The chart below analyses the spending against the capital budget.

Chart 5.1: Budget vs Actual Expenditure



The capital investment detailed above has been funded as displayed in the chart below.

Chart 5.2: Capital Expenditure Funding



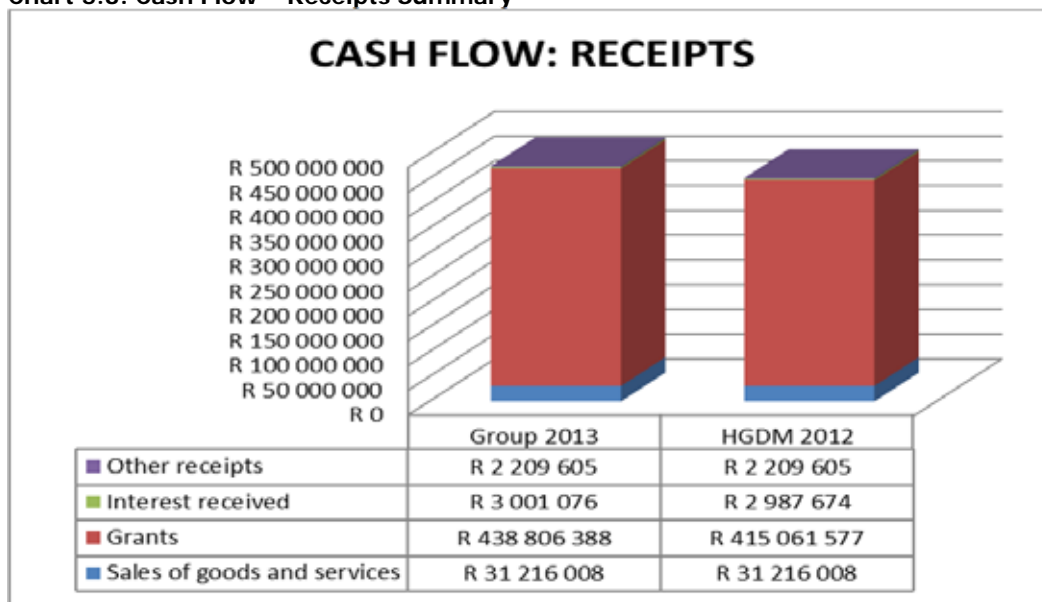
DRAFT

5.4 Component C: Cash Flow Management and Investment

This component of analyzing financial performance looks at the Cash Flow Management and Investment matters with a view to assessing the liquidity and sustainability of the municipality in the medium to long term. The analysis focuses on the major aspects of cash flow analysis, the detailed financial statement have been included in Volume 2 of this report.

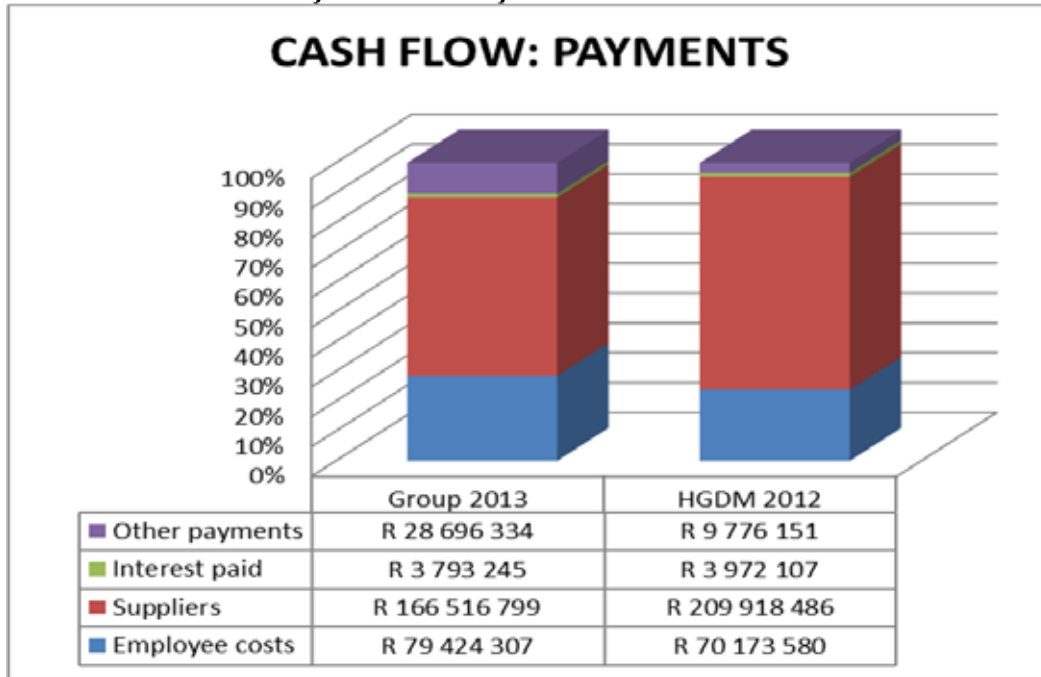
The chart below presents the major categories of cash inflows. Overall, the consolidated revenue receipts for the 2012/13 have increased by 15% (Harry Gwala Parent Municipality: Increase by 9%) when compared to the 2011/12 financial year. These receipts are mainly constituted of the Government Grants and Subsidies, which accounts for 92% (2012: 89%) of the total cash inflows.

Chart 5.3: Cash Flow – Receipts Summary



The Cash flow payments chart that follows displays major categories of municipal payments. In line with the cash flow management strategies that were implemented in order to reduce payments, consolidated cash payments decreased by 5% (HGDM: decrease by 9%)

Chart 5.4: Cash Flow - Payment Summary



Cash and Cash Equivalents Balances at year-end

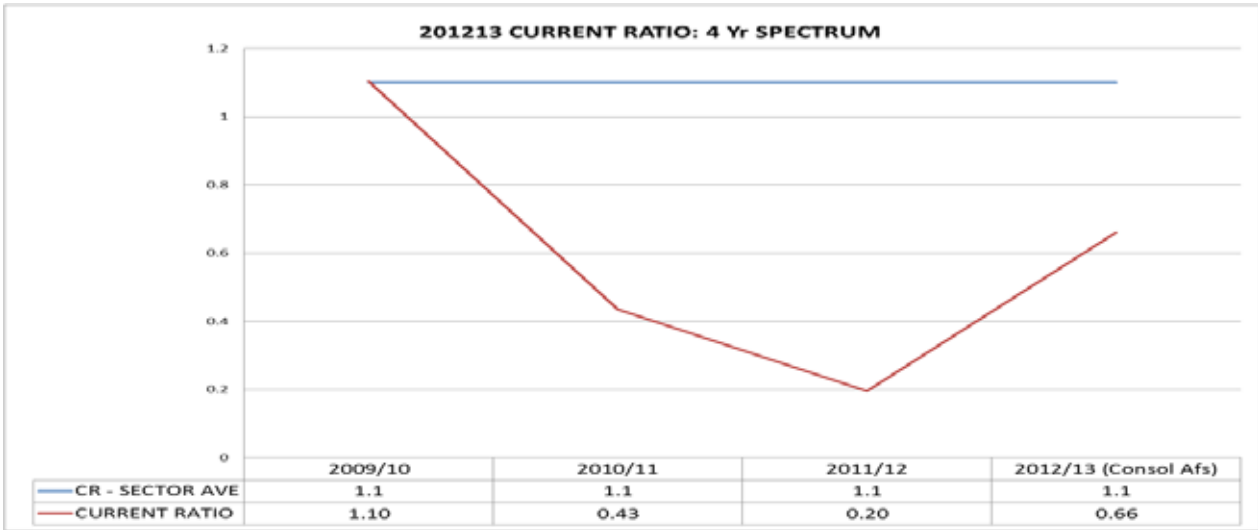
The balances below present the cash and cash equivalent year-end balances as at 30 June 2013. As at year-end, there were no investments exceeding 90 days.

Table 5.5: Cash Balances

	Group AFS		Harry Gwala District Municipality	
	2012	2013	2012	2013
Cash Balance at 30 June 2013	R32 076 111	R20 185 998	R3 539 441	

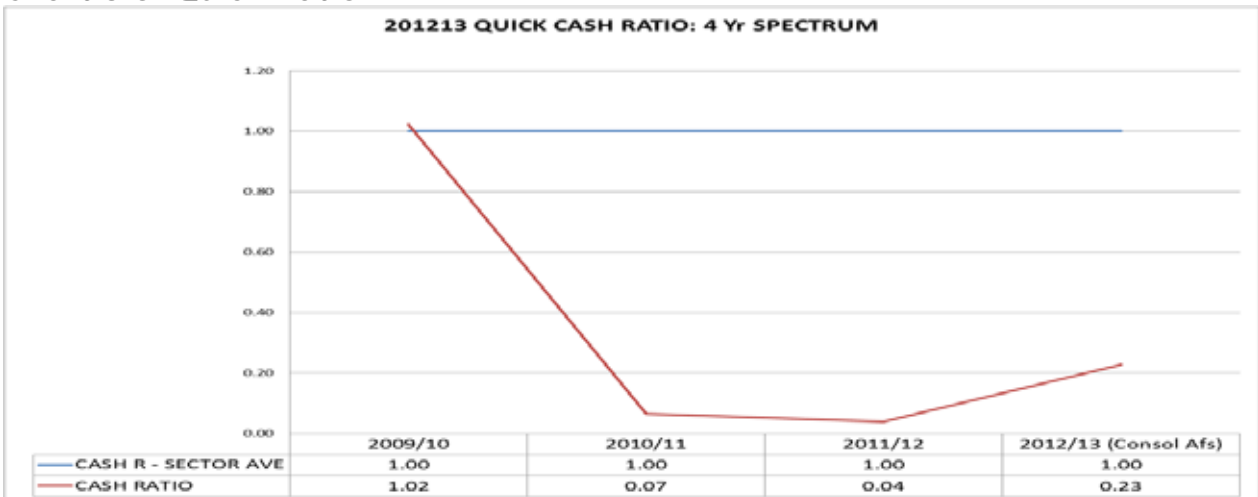
The next two charts present a liquidity analysis of the municipality over a four-year spectrum.

Chart 5.5: Current Ratio



The chart above shows that the group liquidity position of the municipality has been on a positive recovery with the 2012/13 showing a magnitude recovery of 237% (HGDM: 221%) in this ratio. Although the current ratio is still below the minimum municipal average of 1.1:1, the improvement displayed above reflects a positive trajectory.

Chart 5.6: Quick Ratio



The quick ratio chart presented above further confirms results of the cash management strategies that the municipality has implemented.

5.5 Component D: Other Financial Matters

SUPPLY CHAIN MANAGEMENT

The Municipality developed the Supply Chain Management Policy and the Municipal Supply Chain Management Regulations. Council reviews the Supply Chain Management Policy each year as it is also one of the budget related policies. The Supply Chain Management Policy implementation is reported to Council every quarter. There are four officials in the Supply Chain Management Unit that are yet to reach the necessary competency levels.

In 2011/12, the municipality was qualified on incurring irregular expenditure in the process of implementing supply chain management policy. The action plan was developed to address the weaknesses identified during the regularity audit in particular to strengthen system of internal control. This is just part of the strengthened areas which have contributed to the unqualified audit opinion.

GRAP COMPLIANCE

The Municipality converted to Generally Recognized Accounting Practice in 2009/2010 financial year and the municipality has been preparing its annual financial statements in terms of Generally Recognized Accounting Practice.

BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The municipality is faced with the challenge of migration into especially urban areas. Previous apartheid government did not plan for growth in terms of the water services infrastructure. The municipality has to now rework the planning and designs to cater for such movements especially into towns. It has proven that the cost of refurbishing the water services infrastructure is quite high and the Municipality cannot afford to do all in one or two financial years.

Also the grants, such as MIG, have been assisting in reducing water services backlogs for both rural and urban areas of the municipality. The main purpose of MIG was to provide basic level of services but with the recommendation and motivation of assisting our growing towns, the grant has been used for higher level of service. This has not been sufficient because of our rural setting and the need for water resources development in order that we can achieve our goal of supplying sustainable potable water. In the same vein, national government came with a grant such as RBIG which is aimed at addressing bulk water resources development *e.g.* dams, major pipelines, big reservoirs and water and wastewater treatment works.

Table 5.6: Service Delivery Backlogs

Service Backlogs as at 30 June 2013				
	Service level above minimum standard		Service level below minimum standard	
	No. of households	% households	No. of households	% households
Water	285 904	69.8%	131 686	30.2%
Sanitation	195 575	48.2%	212 196	51.8%

Chapter 6 Auditor General Audit Findings

A. COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2011/12

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

6.1 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON SISONKE DISTRICT MUNICIPALITY

REPORT ON FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Harry Gwala District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Irregular expenditure

6. The municipality did not have adequate systems and controls for the prevention and detection of irregular expenditure and for the management and reporting thereof, as required by sections 32 and 62 (1)(b) of the MFMA. The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of irregular expenditure of R200,216 million, as disclosed in note 38.1 to the financial statements.

Property, plant and equipment

7. Capital assets were disposed of without the approval of council, as required by section 14(2)(a) of the MFMA and regulation 5 of the Municipal Asset Transfer Regulations (GNR 878 of 22 August 2008). Consequently, I was unable to confirm the completeness of property, plant and equipment totalling R977,662 million (2011: R864,148 million).

Opinion

8. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Harry Gwala District Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Financial sustainability

10. As disclosed in note 41 to the financial statements, there is significant pressure on the municipality's cash reserves and current liabilities exceed current assets by R63, 250 million.

Unauthorised expenditure

11. As disclosed in note 38.2 to the financial statements, unauthorised expenditure amounting to R35,272 million was incurred as the municipality had exceeded the limits provided for in the votes in the approved budget.

Material impairment

12. As disclosed in note 2.1 to the financial statements the municipality impaired trade debtors by R57,195 million.

Additional matter

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

Unaudited supplementary schedules

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected objective is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

18. The material findings are as follows:

Usefulness of information

Presentation

19. Improvement measures in the annual performance report for all of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act. This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information and the lack of monitoring by the performance management system (PMS) manager.

Consistency

20. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 65% of the reported indicators are not consistent with the indicators as per the approved service delivery budget implementation plan (SDBIP). This is due to inadequate

oversight by municipal council of the preparation of the SDBIP and the annual performance report to ensure that the indicators of these documents are consistent.

21. Section 41(c) of the MSA requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 26% of the reported targets are not consistent with the targets as per the approved SDBIP. This is due to inadequate oversight by municipal council of the preparation of the SDBIP and the annual performance report to ensure that the targets of these documents are consistent.

Reliability of information

22. National Treasury FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 58% of the actual reported indicators relevant to objectives regarding the provision of water to rural communities and improved provision of water were not accurate when compared to source information. This was due to the accounting officer not implementing adequate controls to ensure that documents and records to support the actual reported performance are properly filed and the PMS manager and internal audit not performing a detailed review of the documentation in support of actual reported performance.

Additional matter

23. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

24. Of the total number of planned targets, only 155 were achieved during the year under review. This represents 23% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the annual strategic planning process.

Compliance with laws and regulations

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

Annual financial statements

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

Audit committees

27. The performance audit committee did not review the municipality's performance management system and make recommendations to the council, as required by municipal planning and performance management regulation 14(4)(a)(ii).

28. The performance audit committee did not submit at least twice during the financial year an audit report on the review of the performance management system to the council, as required by municipal planning and performance management regulation 14(4)(a)(iii).

Internal audit

29. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by municipal planning and performance management regulation 14(1)(c).

Procurement and contract management

30. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by Local government: Municipal supply chain management regulations (GNR 868 of 30 May 2005) (municipal SCM regulations) 17(a) and (c).
31. Bid adjudication was not always done by committees constituted in accordance with municipal SCM regulation 29(2).
32. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by municipal SCM regulation 19(a).
33. Awards were made to providers who are persons in the service of the state and whose directors are persons in the service of the state, in contravention of municipal SCM regulation 44.
34. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
35. Contracts were not always awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding, as required by municipal SCM regulation 28(1)(a) and the preferential procurement regulations.
36. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
37. Construction projects were not always registered with the Construction Industry Development Board (CIDB) as required by section 22 of the CIDB Act and CIDB regulation 18.

Human resource management and compensation

38. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury, as required by the Regulations on minimum competency levels 14(2)(a).

Expenditure management

39. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA .
40. The accounting officer did not take effective steps to prevent irregular expenditure and unauthorised expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

42. The accounting officer has not implemented oversight of the disposal of assets, the reporting of financial and performance information and addressing compliance with applicable laws and regulations.

Financial and performance management

43. Management did not ensure that proper record keeping and monthly reconciliations are available to support complete, reliable and accurate financial and performance reporting.
44. Management did not implement controls over procurement of goods and services to ensure that they comply with the requirements of the municipal SCM regulations and the MFMA.

Governance

45. The internal audit and audit committee did not adequately review the performance management system, annual financial statement and compliance with laws and regulations and report accordingly through the year.

OTHER REPORTS

Investigations in progress

46. The investigations by independent firms appointed by the province into the spending of uMzimkhulu grant monies and the work performed by a project management firm are still in progress.

Investigation completed during the financial year

47. An investigation was conducted by an independent firm on request of the municipality. The investigation was initiated based on the unauthorised and irregular expenditure incurred in the 2010-11 financial year. No officials were found to be liable for the irregular and unauthorised expenditure which was therefore subsequently condoned by council.

Pietermaritzburg

30 November 2012



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

B. COMPONENT B: AUDITOR-GENERAL OPINION YEAR (2012/13)

6.2 AUDITOR GENERAL REPORT YEAR 2012/13

Refer Appendix M

DRAFT

GLOSSARY OF TERMS AND ABBREVIATIONS

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
AR	Annual Report
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
BDS	Blue Drop Status
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
DBSA	Development Bank of Southern Africa
Distribution indicators	The distribution of capacity to deliver services.
DMA	District Management Area
DoT	Department of Transport
DWA	Department of Water Affairs
EXCO	Executive Committee
F/Y	Financial Year

Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
GAMAP	Generally Accepted Municipal Accounting Practice
GDS	Green Drop Status
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally
GRAP	Generally Recognized Accounting Practice
HR	Human Resources
IGR	Inter-Governmental Relations
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDG	Millennium Development Goals
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act, 32 of 2000
MTAS	Municipal Turn Around Strategy
NTP	National Transferee Programme
PMS	Performance Management System
RPMS	Regulatory Performance Management Systems
SDL	Skills Development Levy
SDM	Harry Gwala District Municipality
VAT	Value Added Tax
WSDP	Water Services Development Plan
WSMP	Water Services Master Plan
WSP	Workplace Skills Plan

APPENDICES

Appendix A – Councillors, Committee Allocation and Council Attendance

Appendix B – Committees And Committee Purposes

Appendix C –Third Tier Administrative Structure

Appendix D – Functions of Municipality / Entity

Appendix E –Audit, Risk and Performance Management Committee Report

Appendix F – Collection Performance

Appendix G - Declaration of Returns Not Made in Due Time Under MFMA S71

Appendix H - Declaration of Loans Made by the Municipality

Appendix I - Conditional Grant Received Excluding MIG

Appendix J – Disclosures of Financial Interests

Appendix K – Service Backlogs Experienced By The Community Where Another Sphere of Government is Responsible for Service Provision

Appendix L - Capital Programme by Project Year and Ward

Appendix M - Report of the AG on Harry Gwala District Municipality Final Audit

Appendix N - Harry Gwala District Municipality Action Plan Audit Report

Appendix O – Annual Performance Scorecard

VOLUME II: ANNUAL FINANCIAL STATEMENTS

DRAFT