

# 2013 - 2014

DRAFT

## ANNUAL REPORT



**LUKHANJI LOCAL MUNICIPALITY**  
**2013-2014**

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## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

#### a. Introduction

This report is in accordance with powers and functions of local municipalities as described in the:

Local Government: Municipal Systems Act (32 Of 2000).

Local Government: Municipal Structures Act (117 of 1998).

Assessments and conclusions over the state of Lukhanji Municipality in 2013/2014 are based on stipulations of these Acts. This report provides a realistic overview of the state of the municipality, council and administration in the report year.

The report deals with the municipality in a holistic context but touches on the roles and functions of various operational structures and directorates. The report deals with matters of functional service delivery, financial sustainability; and the threats, opportunities, achievements and challenges faced by the local authority in year under review.

#### b. Vision & Mission

Lukhanji Local Municipality’s vision is *a municipality of choice that seeks to work closely with its people to promote good governance, economic growth and sustainable delivery of services.*

Its purpose statement (mission) is to *strive for financial and administrative stability while constantly providing effective, affordable, sustainable quality services and also promoting sustainable integrated development in order to achieve socio economic upliftment, stability and growth.*

The primary values needed to anchor and support the realisation of the vision and mission are:

1. Good governance;
2. Accountability;
3. Public participation;

4. People Development;
5. Teamwork;
6. Integrity;
7. Tolerance;
8. Honesty;
9. Responsibility; and
10. Trust.

#### **c. Key Policy Developments**

The Integrated Development Plan for Lukhanji Municipality was drafted in accordance with the requirements and prescriptions of the Municipal Systems Act (32 of 2000). With the process of development and implementation the municipality adhered to key tasks: the Municipal council adopted a process set out in writing to guide the planning, drafting, adoption and review of the IDP; the Municipality, through appropriate mechanisms, processes and procedures, consulted the local community before adopting the process; and Municipalities involved the community in drafting and finalising the IDP.

#### **d. Key Achievements**

**Need a highlight of key catalytic achievements**

#### **e. Public Participation**

#### **f. Future Actions**

#### **g. Agreements /Partnerships**

#### **h. Conclusions**

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Cllr N Makhanda

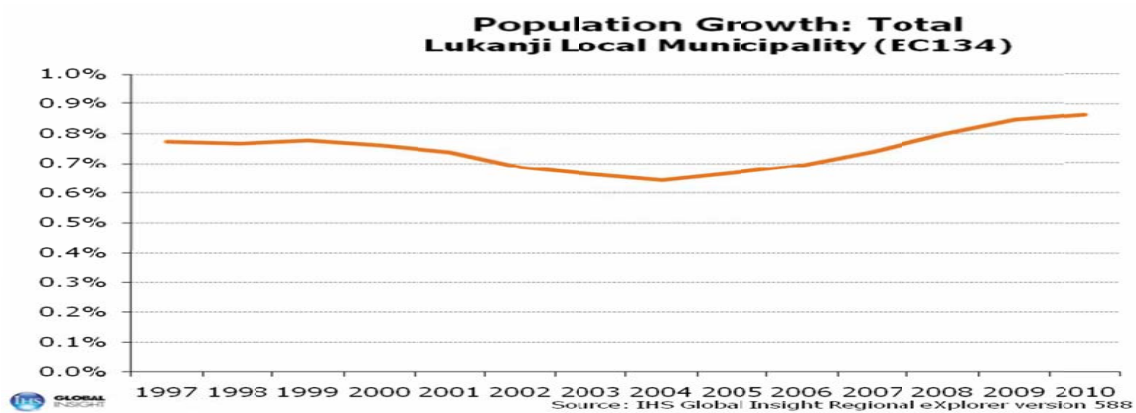
Executive Mayor

## **COMPONENT B: EXECUTIVE SUMMARY**

### **1.1. MUNICIPAL MANAGER'S OVERVIEW**

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### Population Overview



Global Insight 2010 estimates the population of Lukhanji to about 197 000 people living in 51 054 households.

The number of households in the Lukhanji municipality increased from 44 975 in 2001, to 49 675 in 2007 and 51 172 in 2011. This represents an annual growth of 1.7%. On average there are 4 persons per household. The majority (91%) of the population remains Black even though there is a relatively high level of mix when compared to other eastern municipalities in the region.

### Population gender & age distribution

Lukhanji population make-up is similar to that experienced by the country with 48% males and 52% females. The fact that females constitute the majority of population suggests that targeted strategies should be implemented to ensure effective participation of women in the processes of municipal planning and implementation.

### Household dynamics



Lukhanji has an estimated population of 51 054 households. This translates to an average household size of 4 persons per household and almost 19% of the entire district population.

The majority of households in Lukhanji reside in urban formal dwellings. A small minority lives in farm areas. The figure below illustrates this point further.

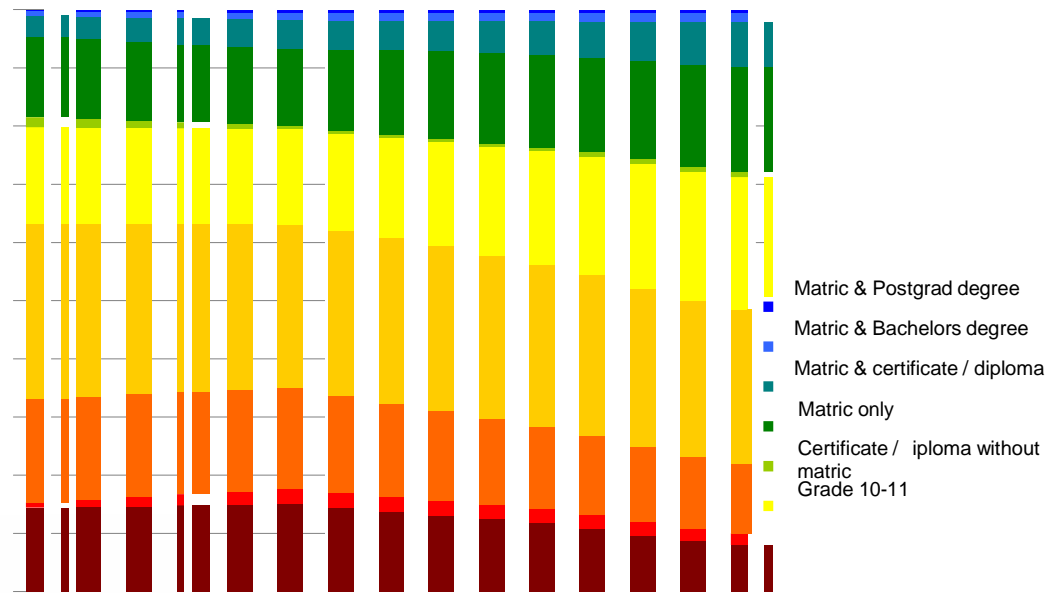
The existence of 21% households in rural villages and 16% in peri-urban settlements poses a challenge for service infrastructure expansions and delivery of essential services. The majority of underserved households with regards to water, sanitation, refuse; electricity and road network comes from these settlement areas. It is therefore necessary to design targeted programmes for infrastructure delivery to these areas as part of implementing the new priority of Rural Development.

## **Education**

The role of the Lukhanji municipality in Education is to facilitate and cooperate with the Department of Education for the provision of schools, education programs as well as directly provide for erection of early childhood learning facilities like crèches. In particular the municipality needs to communicate information to relevant authorities in terms of key priority areas needing education infrastructure and services.

The municipality also has direct interest in the monitoring of education and functional literacy levels among its economically active population so as to ensure adequate supply of critical skills needed for growing the local economy. The figure below indicates levels of educational attainment by adult population.

Progress in Education  
Lukanji Local Municipality (EC134), Total



Source: IHS Global Insight Regional eXplorer version 588

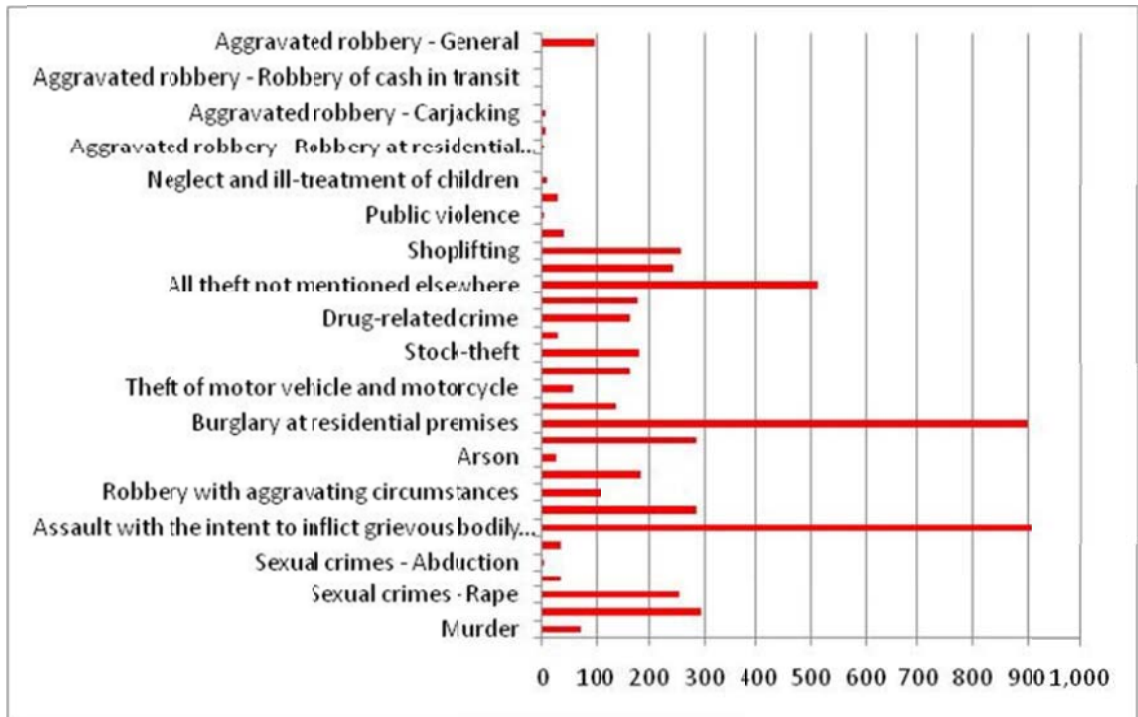
Source: Global Insight 2010

At least 75% of adult population (20 years and older) are functionally literate (meaning that they have completed education level grade 07 and higher). About 10% of the same population has no schooling at all. Another 17% has only completed matric while an estimated 26% has matric and further education attainment.

### Safety and Security

Lukhanji does not have its own municipal police force therefore the responsibility for providing safety and security services in its areas rests with the South African Police Services Department (SAPS). The intention of the municipality is to work in partnership with the security cluster departments like SAPS, Correctional services and Justice to promote crime awareness and leverage efforts for crime reduction.

According to crime statistics published annually and extrapolated by Global Insight in the figure below, dominant crimes in Lukhanji are common law crimes like assaults, burglary and theft.



In an attempt to involve communities in the reduction of crime and resolution of disputes in the area, Community Policing Forums (CPF) were established. Research shows that the CPF's are not active in some areas due to lack of training on safety and security techniques.

In order to maintain low levels of crime in Lukhanji, more safety and security services such as mobile police services need to be provided. CPFs also need to be well equipped with training to achieve their maximum effectiveness. Below is a table list of existing facilities in Lukhanji.

| Police stations | Courts of law |
|-----------------|---------------|
| Bridge Camp     | Queenstown    |
| Ezibeleni       | Whittlesea    |
| Ilinge          | Ezibeleni     |
| Kolomane        |               |
| Queenstown      |               |
| Tylden          |               |
| Whittlesea      |               |

|               |  |
|---------------|--|
| Klein Bulhoek |  |
| Mlungisi      |  |

#### Health

Primary health is a competence of the Provincial department of Health.

HIV/Aids is a public health concern that the municipality should to at least monitor and proactively contribute to the reduction of the impact and the spread of HIV/Aids among its communities. An estimated 10% of population have contracted HIV while another 1% suffers from full blown Aids (Global Insight 2008).

The figure below gives longitudinal projections of HIV/Aids impact.

### 1.3. SERVICE DELIVERY OVERVIEW

### 1.4. FINANCIAL HEALTH OVERVIEW

#### Financial Overview

| Financial Overview: Year 0       |                 |                   |        |
|----------------------------------|-----------------|-------------------|--------|
|                                  |                 |                   | R' 000 |
| Details                          | Original budget | Adjustment Budget | Actual |
| Income:                          |                 |                   |        |
| Grants                           |                 |                   |        |
| Taxes, Levies and tariffs        |                 |                   |        |
| Other                            |                 |                   |        |
| Sub Total                        |                 |                   |        |
| Less: Expenditure                |                 |                   |        |
| Net Total*                       |                 |                   |        |
| <i>* Note: surplus/(defecit)</i> |                 |                   |        |

| Operating Ratios             |   |
|------------------------------|---|
| Detail                       | % |
| Employee Cost                |   |
| Repairs & Maintenance        |   |
| Finance Charges & Impairment |   |
|                              |   |

| Total Capital Expenditure: Year -2 to Year 0 |         |         |         |
|--|---------|---------|---------|
|  |         |         | R'000   |
| Detail                                       | Year -2 | Year -1 | Year 0  |
| Original Budget                              |         |         |         |
| Adjustment Budget                            |         |         |         |
| Actual                                       |         |         |         |
|  |         |         | T 1.4.4 |

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

## 1.6. AUDITOR GENERAL REPORT

In the year under review the municipality got a disclaimer opinion from the Auditor General. The basis of the opinion according to the AGSA was inability to gain sufficient evidence on a number of issues as contained in the report to be discussed in the subsequent chapters of this report.

## 1.7. STATUTORY ANNUAL REPORT PROCESS

| No | Activity   | Timeframe |
|----|--|-----------|
| 1  | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period | July      |
| 2  | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).  |           |
| 3  | Finalise the 4th quarter Report for previous financial year  |           |
| 4  | Submit draft year 0 Annual Report to Internal Audit and Auditor-General  |           |
| 5  | Municipal entities submit draft annual reports to MM   |           |
| 6  | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)  |           |
| 8  | Mayor tables the unaudited Annual Report   |           |

|    |   |                     |
|----|---|---------------------|
| 9  | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General | August              |
| 10 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase                           |                     |
| 11 | Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data                          | September - October |
| 12 | Municipalities receive and start to address the Auditor General's comments  |                     |
| 13 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report                    | November            |
| 14 | Audited Annual Report is made public and representation is invited  |                     |
| 15 | Oversight Committee assesses Annual Report  |                     |
| 16 | Council adopts Oversight report   |                     |
| 17 | Oversight report is made public   | December            |
| 18 | Oversight report is submitted to relevant provincial councils   |                     |
| 19 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input       | January             |

## CHAPTER 2 – GOVERNANCE

Good governance has 8 major characteristics namely, participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive which follows the rule of law. Through this corruption is minimized, the views of minorities are taken into account and the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 POLITICAL GOVERNANCE

The council performs both legislative and executive functions, with focus on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Mayor and the Mayoral Committee. Council's primary role is to debate issues publicly and also to facilitate political debate and discussion. Apart from their

functions as decision makers, councilors are also actively involved in community work as well as various social programmes in the municipal area.



### 2.1.1. The Political Structure

| No | Name and Position                 | Function   |
|----|-----------------------------------|--|
| 1  | Cllr N Makhanda – Executive Mayor | <ul style="list-style-type: none"> <li>⇒ To identify the needs of the municipality.</li> <li>⇒ To review and evaluate those needs in order of priority.</li> <li>⇒ To recommend strategies, programmes and services to address priority needs through the IDP and the estimate of revenue and expenditure taking into account national and provincial plans.</li> <li>⇒ To recommend or determine the best way to deliver strategies, programmes and services to the maximum benefit of the community.</li> <li>⇒ To identify and develop criteria to evaluate strategies, programmes and services mentioned in 3 above and to develop key performance indicators.</li> <li>⇒ To evaluate progress against the key performance indicators.</li> <li>⇒ Review the performance of the municipality in order to improve:               <ul style="list-style-type: none"> <li>▪ The economic, efficiency and effectiveness of the municipality,</li> <li>▪ Efficiency of credit control and revenue and debt collection services, and</li> <li>▪ Implementation of the municipality by-laws.</li> </ul> </li> <li>⇒ To monitor the management of the municipality's administration.</li> <li>⇒ To oversee the provision of services to the community in a sustainable manner.</li> <li>⇒ To ensure community involvement in municipal matters by reporting on the following:               <ul style="list-style-type: none"> <li>-Annually reports on the involvement of community and community organizations in municipal affairs,</li> <li>-Ensure that regard is given to public views and report on the effect of consultation</li> </ul> </li> <li>⇒ Section 60 of the Structures Act provides that the Executive Mayor must appoint a mayoral committee amongst the Councillors if Council consists of more than nine members. In respect of the Mayoral Committee, the Executive Mayor has the following responsibilities:               <ul style="list-style-type: none"> <li>▪ Chair the meetings of the Mayoral Committee.</li> <li>▪ Oversee the preparation of the Mayoral Committee Agenda.</li> <li>▪ May delegate specific responsibilities or powers to members of the Mayoral Committee.</li> <li>▪ May dismiss a member of the Mayoral Committee.</li> <li>▪ Ensure compliance with the Law including the rules of order, during Mayoral Committee meetings.</li> <li>▪ Ensure that members of the Public are allowed in Mayoral Committees meetings.</li> </ul> </li> </ul> |
| 2  | Speaker: Cllr M Snyders           | <ul style="list-style-type: none"> <li>⇒ Preside at the meetings of the Council;</li> <li>⇒ Maintain order during Council meetings;</li> <li>⇒ Ensure that Council meetings are conducted in accordance with Rules of Order of the Council;</li> <li>⇒ Ensures that Councillors get adequate notices of meetings;</li> </ul>   |

|    |  |   |
|----|--|---|
|    |  | <ul style="list-style-type: none"> <li>⇒ Ensure implementation of procedure with regard to quorums and compliance with section 30 of the Municipal Structures Act;</li> <li>⇒ Allocate speaking time to members in accordance with the Council's policy;</li> <li>⇒ Implement voting procedure in accordance with the Rules of Order and subject to the Municipal Structures Act;</li> <li>⇒ Ensure that Councillors freedom of speech is protected;</li> <li>⇒ Ensure that Councillors freedom of speech is exercised subject to council's Rules of Order;</li> <li>⇒ Ensure and facilitate the admission of the public to council meetings;</li> <li>⇒ Grant leave of absence to Councillors in accordance with council's Rules of Orders;</li> <li>⇒ Guard against the abuse of councilor's privileges and interest and;</li> <li>⇒ Maintain an attendance register.</li> </ul>                |
| 3  | <b>Chief Whip: Cllr TM Jocki</b>                                       | <ul style="list-style-type: none"> <li>⇒ Political management of council meetings and committee meetings</li> <li>⇒ Inform Councillors of meetings called by the Speaker and the Mayor and ensuring that such meetings quorate</li> <li>⇒ Advises the Speaker and Mayor on the Council agenda</li> <li>⇒ Informs Councillors on important matters on the relevant agenda</li> <li>⇒ Advise the Speaker on the amount of time to be allocated to speakers and the order of such speakers addressing the Council</li> <li>⇒ Ensures that Councillors' motions are prepared and timeously tabled in terms of the procedural rules of Council</li> <li>⇒ Assisting the Speaker in the counting of votes</li> <li>⇒ Advising the Speaker and the Mayor of urgent motions</li> <li>⇒ Advising the Speaker and Mayor on how to deal with important items not disposed of at a Council meeting</li> </ul> |
| 4  | <b>Portfolio Head -<br/>Special Programmes<br/>Unit: Cllr CN Pambo</b> | <ul style="list-style-type: none"> <li>⇒ The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers.</li> <li>⇒ The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</li> </ul>   |
| 5  | <b>Portfolio Head - Technical Services: Cllr TV Mpolo</b>              |   |
| 6  | <b>Portfolio Head - Administration &amp; HR: Cllr B Van Heerden</b>    |   |
| 7  | <b>Portfolio Head - Budget &amp; Treasury: Cllr Peter</b>              |   |
| 8  | <b>Portfolio Head Human Settlements</b>                                |   |
| 9  | <b>Portfolio Head -<br/>Community Services: Cllr B Mngese</b>          |   |
| 10 | <b>Portfolio Head<br/>IPED: Cllr: MM Matiwane</b>                      |   |
| 11 | <b>Portfolio Head – Public Safety: Cllr Sopapazi</b>                   |   |

## 2.1.2. Councillor Profile

Below is a table that categorised the Councillors within their specific political parties and wards:

| Councillor             | Full Time (FT)/<br>Part Time (PT) | Committee Allocated       |                           | Ward/PR | % Council<br>Attendance | % Apologies<br>for non-<br>attendance |
|------------------------|-----------------------------------|---------------------------|---------------------------|---------|-------------------------|---------------------------------------|
|                        |                                   | 01/07/12                  | 01/01/13                  |         |                         |                                       |
| Cllr M Nontsele        | FT                                | Executive<br>Mayor        | New<br>Incumbent          | ANC     | 17%                     | 83%                                   |
| Cllr M Snyders         | FT                                | Speaker                   | Speaker                   | ANC     | 100%                    |                                       |
| Cllr B Mngese          | FT                                | P/Head (C/<br>Services)   | P.Head (C/<br>Services)   | ANC     | 100%                    |                                       |
| Cllr AE Hulushe        | FT                                | P/Head<br>(HSLD)          | New<br>Incumbent          | ANC     | 50%                     | 50%                                   |
| Cllr NC Pambo          | FT                                | P/Head<br>(T/Services)    | New<br>Incumbent          | ANC     | 67%                     | 33%                                   |
| Cllr M Peter           | FT                                | P/Head<br>(Finance)       | New<br>Incumbent          | ANC     | 67%                     | 33%                                   |
| Cllr BG Van<br>Heerden | FT                                | P/Head<br>(Admin &<br>HR) | P/Head<br>(Admin &<br>HR) | ANC     | 33%                     | 67%                                   |
| Cllr D Mjo             | FT                                | P/Head<br>(IPED)          | New<br>Incumbent          | ANC     |                         |                                       |
| Cllr TM Jocki          | FT                                | P/Head<br>(SPU)           | New<br>Incumbent          | ANC     | 100%                    |                                       |
| Cllr FS Lungisa        | FT                                | P/Head<br>(C/Safety)      |                           | ANC     | 100%                    |                                       |
| Cllr ME Ndinise        | FT                                | MPAC<br>Chairperson       |                           | ANC     | 100%                    |                                       |
| Cllr MV Blekiwe        | PT                                |                           |                           | ANC     | 100%                    |                                       |

|  |    |   |  |      |      |     |
|--|----|---|--|------|------|-----|
|  |    |   |  |      |      |     |
| Cllr AV Bokuva   | PT |   |  | ANC  | 50%  | 50% |
| Cllr FM Dayimani   | PT |   |  | ANC  | 100% |     |
| Cllr JC De Wet   | PT |   |  | DA   | 100% |     |
| Cllr FN Duda   | PT |   |  | ANC  | 100% |     |
| Cllr ML Dyan   | PT |   |  | ANC  | 67%  | 33% |
| Cllr SR Dyantyi  | PT |   |  | ANC  | 67%  | 33% |
| Cllr ZA Dywili   | PT |   |  | ANC  | 100% |     |
| Cllr SL Gaju   | PT |   |  | ANC  | 83%  | 17% |
| Cllr MZ Gwantshu   | FT | Portfolio Head<br>( <i>Technical Services</i> )<br>(24/02/2012-31/01/2013)<br>and<br>Executive Mayor<br>(31/01/2013-08/08/2013) |  | ANC  | 100% |     |
| Cllr TM Gxaba  | PT |   |  | ANC  | 67%  | 33% |
| Cllr MS Hokolo   | PT |   |  | UDM  | 83%  | 17% |
|  |    |   |  |      |      |     |
| Cllr M Jaska   | PT |   |  | ANC  | 67%  | 33% |
|  |    |   |  |      |      |     |
| Cllr MZ Kalipa   | PT |   |  | COPE | 83%  | 17% |
| Cllr NE Kondlo   | PT |   |  | ANC  | 83%  | 17% |
| Cllr NA Kopolo   | PT |   |  | COPE | 83%  | 17% |
| Cllr FS Lungisa  | FT |   |  | ANC  | 100% |     |
| Cllr PPZ Mandile   | PT |   |  | DA   | 83%  | 17% |
| Cllr K Manzana-Sovendle  | PT |   |  | ANC  | 83%  | 17% |
| Cllr NL Maqungo  | PT |   |  | ANC  | 83%  | 17% |
| Cllr MM Matiwane   | FT | P/Head<br>(Budget & Treasury)<br>31/01/2013   |  | ANC  | 100% |     |
| Cllr XP Mbasana  | PT |   |  | ANC  | 50%  | 50% |
| Cllr N Mfundisi  | PT |   |  | ANC  | 83%  | 17% |
| Cllr BM Mgoqi  | PT |   |  | ANC  | 100% |     |
| Cllr PMX Sibefu<br>(Deceased<br>19/09/2012)<br><b>REPLACEMENT?</b> | PT |   |  | ANC  | 0%   |     |
|  |    |   |  |      |      |     |
| Cllr M Mnyaka  | PT |   |  | ANC  | 100% |     |
| Cllr TV Mpolo  | PT |   |  | ANC  | 100% |     |
| Cllr SE Mvana  | PT |   |  | ANC  | 100% |     |
| Cllr B Ndabambi  | PT |   |  | ANC  | 83%  | 17% |

|                 |    |  |  |     |      |     |
|-----------------|----|--|--|-----|------|-----|
| Cllr MR Ndaliso | PT |  |  | ANC | 83%  | 17% |
|                 |    |  |  |     |      |     |
| Cllr SN Ndelebe | PT |  |  | ANC | 100% |     |
| Cllr M Ngesi    | PT |  |  | ANC | 100% |     |

|                  |    |  |  |     |      |     |
|------------------|----|--|--|-----|------|-----|
| Cllr DD Njozela  | PT |  |  | ANC | 83%  | 17% |
| Cllr NP Nquma    | PT |  |  | ANC | 83%  | 17% |
| Cllr NJ Qomoyi   | PT |  |  | ANC | 100% |     |
| Cllr BG Rani     | PT |  |  | ANC | 83%  | 17% |
| Cllr LC Rasimosi | PT |  |  | ANC | 100% |     |
| Cllr JM Shaw     | PT |  |  | DA  | 100% |     |
| Cllr N Simama    | PT |  |  | ANC | 83%  | 17% |
| Cllr MN Siyo     | PT |  |  | PAC | 83%  | 17% |
| Cllr MJ Thole    | PT |  |  | ANC | 83%  | 17% |
| Cllr EN Tsotetsi | PT |  |  | ANC | 83%  | 17% |
| Cllr ML Tyholo   | PT |  |  | ANC | 100% |     |
| Cllr M Xhelisilo | PT |  |  | DA  | 100% |     |
| Cllr NT Xulubana | PT |  |  | ANC | 100% |     |

## 2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team. A key priority of the Management Team has been to establish a solid leadership core within the organisation which permeates through to middle and supervisory management levels. The Management Team Structure is outlined in the table below:

| Name of Official    | Department                   | Performance agreement signed |
|---------------------|------------------------------|------------------------------|
|                     |                              | (Yes/No)                     |
| Siyabonga Nkonki    | Acting Municipal Manager     | Yes                          |
| Lindiwe Ngeno       | Chief Financial Officer      | Yes                          |
| Donovan van Wyk     | Strategic Executive Officer  | Yes                          |
| Gideon Judeel       | Director Community Services  | Yes                          |
| Lungile Nomeva      | Director Human Settlements   | Yes                          |
| Pieter Bezuidenhout | Director Technical Services  | Yes                          |
| Siyabonga Nkonki    | Director Administration & HR | Yes                          |

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATIONS

Lukhanji co-ordinates the inter-governmental relations forum with all stakeholders in the area for planning, co-ordination, and reporting on service delivery programmes. This is where all sectors of the society and/or stakeholders come together for effective integrated planning and co-ordination of service delivery and where challenges are resolved in an amicable manner.

#### **Provincial Intergovernmental Structure**

The Executive Mayor participates in the Muni-MEC forum and that is where best practices are shared for all Municipalities and also there are pronouncements that are being made. The Communications Manager participates in the Provincial Communicators Forum and that is where lessons are learnt from each Municipality to ensure improvements in the local government communication system.

Relationships with Municipal Entities Lukhanji Municipality doesn't have an entity. District Intergovernmental Structures

The Executive Mayor participates in the DIMAFO meetings that are called on a quarterly basis and the Communications Manager participates in the District Communicators Forum meetings.

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipal Systems Act, S15 (b): requires a municipality to establish and organise its administration to facilitate and a culture of accountability amongst its staff. S16 (i): states that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. S18 (i) (d): requires a municipality to supply its community with information concerning municipal governance, management and development. Lukhanji Municipality makes use of the Ward Committee structure with respect to public accountability and participation. The purpose of the Ward Committee structure is to assist Ward Councillors with organizing, consulting, spreading of information to encourage participation from residents within the Wards.

The Ward Committee:

⇒ Is an advisory Body.

⇒ Is a representative structure

- ⇒ Is a representative structure
- ⇒ Is independent; and
- ⇒ Must be impartial and perform its functions without fear, favour or prejudice.

There are 27 Wards within the Lukhanji Municipal area.

## **2.4 PUBLIC MEETINGS**

The Lukhanji Municipality engages in different methodologies to ensure adequate public participation, which includes traditional public meetings, meeting with wards and ward committees, IDP and Budget Outreach meetings.

Such participation is required in terms of:

- The preparation, implementation and review of the IDP and budget;
- Establishment, implementation and review of the performance management system;
- Monitoring and reviewing of the performance which include the outcomes and the impact of such performance; and
- Setting of service level standards;
- Information sharing which relates to capital projects implementation.

The Lukhanji Municipality utilises its ward committees as the primary consultative structure and access point to ensure public participation and accountability.

During ward meetings the following issues were raised by the communities:

### **Ward 1**

1. High Mast Lights
2. Gravel each roads / main
3. Roads / Fence
4. Xonxa water project
5. Primary health Care
6. Houses and Electricity
7. Land for agricultural purposes
8. Sanitation



9. Safety / Police Station
10. School
11. New site for cemetery
12. Rebuilding of old Transkei houses
13. New water pipes
14. Storm water drainage
15. Upgrading of External and Internal road
16. Shearing shed and dipping tank
17. Fencing of sewerage
18. Refuse tank

## **Ward 2**

1. Housing
2. Water and Sanitation
3. High mast lights
4. Cemetery
5. Internal Roads
6. Stadium / Sports field
7. Library
8. Mini hospital
9. Phase 3 of Storm water
10. Taxi rank
11. Surfacing of road
12. New Septic tanks Nomzamo
13. Toilet in the hall
14. Upgrading of Nometyu Bridge
15. Fencing of ploughing field in Fransbury

## **Ward 3**

1. Roads and Bridge

2. Fencing of the hall
3. Shearing shed
4. Sports field
5. Completion of the hall
6. Water
7. Irrigation scheme
8. Sign board/direction board
9. Access roads
10. Toilets in the houses and in the Hall
11. RDP Houses
12. Bridge
13. Clinic
14. Revitalisation of the dam in Qunubeni

#### **Ward 4**

1. Multi-purpose Recreation Grounds
2. Tar roads
3. High Mast lights
4. RDP Houses
5. Storm water drainage
6. Youth hub
7. Clinic
8. Surfacing of gravel roads to the Municipal Offices
9. Upgrading/increasing of dams for water as the people have increased
10. Refuse tank
11. Request that the street cleaners be supervised
12. Request to inform the community when the water will be disconnected.
13. Issue of the control of taxi rank
14. Issue of the control of taverns
15. Request for a town hall

16. Issue of municipal employees selling RDP houses
17. Request the town be developed so that they can pay municipal services
18. Cutting of grass at ext. 2 because of criminal activities that are taking place
19. Request primary school at ext.4
20. Fencing of tip site.
- 21.Fencing of dam
22. Grazing camp
23. upgrading of gravel roads and storm water drainage
24. New transformers with high capacity be bought
25. Refuse collection be done
26. Policy be reviewed for the collection of rates/rate be paid in 12 months
27. Why does the community in Ezibeleni pay rates whereas they are not properly serviced?
28. Rangers be employed to collect the cows on the streets.

#### **Ward 5**

1. Basic water
2. Sheering shed
3. Fencing of camps and fields
4. RDP Houses
5. Speed humps – main road and access road
6. Scheme
7. Renovation of irrigation dam
8. High mast lights
9. Fencing of cemeteries and toilets
10. Electrification – clinics / schools

#### **Ward 6**

The scheduled meeting could not materialise due non-attendance by the portion of the ward constituency.

#### **Ward 8**

1. Roads / Tarred

2. High Mast Lights
3. Recreational ground
4. Toilets / Taps
5. Storm water
6. Youth hub
7. Speed humps
8. Street lights
9. Information centre
10. Sport field
11. Upgrading of gravel roads and storm water drainage
12. Installation of new electricity transformers with high capacity.
13. Refuse collection be collected regularly.
14. Policy be reviewed for the collection of rates/rates be paid in 12 months
15. Why does the community of Ezibeleni pay rates whereas they are not properly serviced?
16. Rangers be employed to collect cows on the streets.

#### **Ward 9**

1. Job creation
2. Chronic Site (Clinic)
3. Road signs
4. Sport fields

#### **Ward 10**

1. Roads
2. High Mast
3. Houses
4. Storm water
5. Rectification of wooden / zink houses
6. Street lights
7. Stadium
8. Youth centre

## **Ward 11**

1. RDP Houses
2. Access roads
3. Sport grounds
4. High mast lights
5. Fencing of camps
6. Clinic
7. Rectification
8. Water
9. Remove rubbish dumps
10. Public toilets in grave yard

## **Ward 12**

1. Access roads
2. Clinic infrastructure
3. Culverts / Box Culvert
4. Water electric engines
5. Tarred road
6. Fencing/new water pipes – ploughing fields
7. Tractors – ploughing fields
8. Revive wind mills
9. RDP Houses
10. Chairs and electricity in the hall
11. Toilets
12. Drinking water and irrigation scheme
13. Deeping tank for cows
14. High mast lights
15. Network pole
16. Jojo tanks
17. Additional classes – school

### **Ward 13**

1. Water
2. Roads
3. Sanitation
4. School (foundation phase)
5. Hall
6. Electricity
7. RDP Houses
8. Clinics
9. Fencing , agricultural project, dam, grazing land
10. Dipping tank
11. High mast lights
12. Revitalisation of storm water drains
13. Library
14. Furrow

### **Ward 14**

1. Water
2. Roads
3. Houses
4. Agriculture Programme
5. Clinics
6. Schools
7. High Masts
8. Storm water
9. Bridges
10. Community Hall

### **Ward 15**

1. High Mast lights
2. Tarred roads

3. Proper drainage
4. Youth hub
5. Fencing – grazing land
6. Sport fields
7. Children play grounds
8. Ekuphumleni Housing
9. Information Centre
10. Shopping Mall
11. New transformers with high capacity be bought
12. Refuse collection be done
13. Policy be reviewed for the collection of rates/rate be paid in 12 months
14. Why does the community in Ezibeleni pay rates whereas they are not properly serviced?
15. Rangers be employed to collect the cows on the streets.

#### **Ward 16**

1. Roads and Speed Humps
2. Houses
3. Remove rubbish dumps
4. Sports ground
5. Learnership Skills training
6. Fix Street light
7. Raise and Strengthen graveyard fence
8. Small business needed by people in Ward 16
9. High Mast lights
10. Public toilets for shack area

#### **Ward 18**

1. Roads
2. Houses
3. Water

4. Building of dams
5. Clinic
6. School
7. Fencing of camps
9. Pre-schools
10. Sports fields
11. Community hall
12. Monitoring of employment
13. Storm water drainage
14. Cemetery
15. High mast lights
16. Unfinished toilets
17. Bridge

#### **Ward 19**

1. Rectification – rebuilding of RDP Houses
2. Upgrading and Construction of new roads
3. Changing of electricity – preferable underground cables
4. Storm water – install drainage system
5. Shortage of RDP houses
6. Police station or satellite because of high crime rate
7. Park or Playing fields
8. Crèche
9. Community members from ward 19 were not employed in the project of upgrading the cemetery but the stones were taken from their ward
10. Increase in the municipal account

#### **Ward 20**

1. RDP Houses and toilets
2. Upgrade of Streets



3. Crèche
4. Community Hall
5. Playing grounds and Parks
6. Storm water drainage
7. Valley and Dust bin
8. Electric theft rate
9. Crime rate
10. Refuse collection on holidays

### **Ward 21**

1. Tar roads
2. Sewerage and storm water drains
3. Housing
4. Fencing – Mlungisi cemetery
5. Addressing unemployment through LED
6. Address crime rate
7. New electricity meter boxes
8. Maintenance of high mast lights
9. Monitoring of employment criteria
10. Leaking of RDP Houses
11. Municipal account that is transferred to the wife after the husband passed away

### **Ward 22**

1. Rehabilitation of sanitation
2. House for back yard
3. Roads gravel seal
4. Bridge
5. Sport facility
6. Rehabilitation of houses
7. Humps

8. Toilets
9. Rehabilitation of Old Houses
10. Repair of High Mast lights

### **Ward 23**

1. Building of houses in old location
2. Building of RDP Houses
3. Tar roads
4. Fencing of cemetery
5. Storm water drains
6. Potholes
7. High mast lights
8. 24 hours – Philani clinic
9. Municipal police officers
10. Municipal accounts have increased
11. Employment for the youth
12. Creation of job opportunities for the disabled people

### **Ward 24**

1. Housing
2. High mast lights
3. Street lights
4. Humps
5. Old Age clinic
6. Storm water drainage
7. Improvement of Boxing centre
8. Tarred road and road maintenance
9. Lights
10. Municipal police officers
11. Municipal accounts have increased

12. Employment for the youth
13. Creation of job opportunities for the disabled people

#### **Ward 25**

1. Tarred road streets
2. Storm water
3. Fencing of Mlungisi Cemetery
4. Reconstruction of Nkululekweni Houses
5. Pre-School
6. Servicing of high mast lights
7. Pot holes
8. Humps
9. Stone pitch in the farrow behind Mlungisi cemetery
10. Housing
11. Monitoring of job employment
14. **Municipal police officers**
15. Municipal accounts have increased
16. Employment for the youth
17. Creation of job opportunities for the disabled people

#### **Ward 26**

The scheduled meeting could not materialise due non-attendance by the ward constituency.

#### **Ward 27**

1. Water
2. Surfacing of Roads
3. RDP Houses
4. High Mast lights
5. Crèche, Pre-School

6. Poultry Project
7. Sport field stadium
8. Small business Centre
9. Fencing
10. Cemeteries
11. Toilets and Sanitation
12. Job creation
13. Transfer station that is not working

## 2.5 IDP PARTICIPATION AND ALIGNMENT

| IDP Participation and Alignment Criteria*                                      | Yes/No |
|--|--------|
| Does the municipality have impact, outcome, input, output indicators?          | Yes    |
| Does the IDP have priorities, objectives, KPIs, development strategies?        | Yes    |
| Does the IDP have multi-year targets?  | Yes    |
| Are the above aligned and can they calculate into a score?                     | Yes    |
| Does the budget align directly to the KPIs in the strategic plan?              | Yes    |
| Do the IDP KPIs align to the Section 57 Managers                               | Yes    |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP?                 | Yes    |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes              | Yes    |
| Were the indicators communicated to the public?                                | Yes    |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes    |
| * Section 26 Municipal Systems Act 2000  |        |

## COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

## 2.6 AUDIT AND RISK MANAGEMENT

## **AUDIT COMMITTEE**

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- Internal financial control;
- Risk management;
- performance management; and
- Effective governance.

The Audit Committee has the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003, Local Government Municipal and Performance Management Regulation, 2001 and the office of the Auditor-General:

- To advise the Council on all matters related to compliance and effective governance;
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DORA and other applicable legislation;
- Respond to the council on any issues raised by the Auditor-General in the audit report;
- To review the quarterly reports submitted to it by the internal audit;
- To evaluate audit reports pertaining to financial, administrative and technical systems;
- The compilation of reports to Council, at least twice during a financial year;
- To review the performance management system and make recommendations in this regard to Council;
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimized;
- To review the annual report of the municipality;
- Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Provide support to the Internal Audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit section

### **2.7 ANTI-CORRUPTION AND FRAUD**

### **2.8 SUPPLY CHAIN MANAGEMENT**

SCM policy in place and implemented, however there is a challenge of non-adherence to it. SCM unit is in existence and operational. Only two officials operating in the unit.

As per the AGSA report challenges have been identified from the unit, the remedial action is to increase the capacity of the unit.

## 2.9 BY-LAWS

Section 11 of the MSA gives municipal Councils the executive and legislative authority to pass and implement by-laws and policies. No by-laws were approved during the period under review.

## 2.10 WEBSITES

| Municipal Website: Content and Currency of Material   |          |                 |
|---|----------|-----------------|
| Documents published on the Municipality's / Entity's Website  | Yes / No | Publishing Date |
| Current annual and adjustments budgets and all budget-related documents   | Yes      |                 |
| All current budget-related policies   | Yes      |                 |
| The previous annual report (Year -1)  | Yes      |                 |
| The annual report (Year 0) published/to be published  | Yes      |                 |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards   | Yes      |                 |
| All service delivery agreements (Year 0)  | Yes      |                 |
| All long-term borrowing contracts (Year 0)  | Yes      |                 |
| All supply chain management contracts above a prescribed value (give value) for Year 0  | Yes      |                 |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1   | Yes      |                 |
| Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section   | Yes      |                 |
| Public-private partnership agreements referred to in section 120 made in Year 0   | Yes      |                 |
| All quarterly reports tabled in the council in terms of section 52 (d) during Year 0  | Yes      |                 |
| <i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i> |          | T 2.10.1        |

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The municipality engages on a continuous basis the citizens through various structures on service delivery issues like the IDP roadshows, ward committee meetings, ward meetings and Mayoral Outreaches. Going forward the municipality will embark on citizen satisfaction surveys as an add on to the current measures to engage citizens.

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### COMPONENT A: BASIC SERVICES

#### 3.1. WATER PROVISION

##### Households - Water Service Delivery Levels below the minimum

| Description                            | Year -3 | Year -2 | Year - | Year 0          |                 |        |
|--|---------|---------|--------|-----------------|-----------------|--------|
|  | Actual  | Actual  | Actual | Original Budget | Adjusted Budget | Actual |
|  | No.     | No.     | No.    | No.             | No.             | No.    |
| <b>Formal Settlements</b>              |         |         |        |                 |                 |        |
| Total households                       | 43028   | 46463   | 46493  |                 |                 |        |
| Households below minimum service level | 0       | 0       | 0      |                 |                 |        |
| Proportion of households below minimum | 0       | 0       | 0      |                 |                 |        |
| <b>Informal Settlements</b>            |         |         |        |                 |                 |        |
| Total households                       | 7692    | 4710    | 4680   |                 |                 |        |
| Households below minimum service level | 7692    | 4710    | 4680   |                 |                 |        |
| Proportion of households below minimum | 15.20%  | 9.20%   | 9.15%  |                 |                 |        |

##### Water Service Delivery Levels

| Description                                       | Ref | Year -3 Actual No. | Year -2 Actual No. | Year -1 Actual No. | Year 0 Actual No. |
|---|-----|--------------------|--------------------|--------------------|-------------------|
| Water: (above min level)                          |     |                    |                    |                    |                   |
| Piped water inside dwelling                       |     | 22663              | 25510              | 25540              |                   |
| Piped water inside yard (but not in dwelling)     |     | 11854              | 11854              | 12006              |                   |
| Using public tap (within 200m from dwelling )     | 2   | 8511               | 9099               | 8947               |                   |
| Other water supply (within 200m)                  | 4   |                    |                    |                    |                   |
| Minimum Service Level and Above sub-total         |     | 43028              | 46463              | 46493              |                   |
| Minimum Service Level and Above Percentage        |     | 84.80%             | 90.80%             | 90.85%             |                   |
| Water: (below min level)                          |     |                    |                    |                    |                   |
| Using public tap (more than 200m from dwelling)   | 3   |                    |                    |                    |                   |
| Other water supply (more than 200m from dwelling) | 4   | 7692               | 4710               | 4680               |                   |
| No water supply                                   |     |                    |                    |                    |                   |
| Below Minimum Service Level sub-total             |     | 7692               | 4710               | 4680               |                   |
| Below Minimum Service Level Percentage            |     | 15.20%             | 9.20%              | 9.15%              |                   |
| Total number of households*                       | 5   | 50720              | 51173              | 51173              |                   |

In terms of the powers and functions, the municipality is a water service provider acting as an agent of the water service authority which is Chris Hani District Municipality. Both institutions entered into a service

level agreement on how the operations and the costs thereof will be managed, the agreement is renewable every two years. It also includes acting as a revenue collector of the district municipality which the municipality pays over to the district at the end of each financial year. The district is responsible for all costs relating to water and sanitation services which the municipality provides to the community.

Lukhanji LM entered into a 25 year contract with Water and Sanitation Services of South Africa. The contract is coming to an end in May 2017. Chris Hani District Municipality intends to take over the function from all local municipalities. This includes the provision of infrastructure and maintenance thereof.

The institution has its own personnel responsible (Community Service Providers – 40; Borehole operators – 85; Casuals responsible treatment works and others on networks – 34; Interns – 17; Contract workers – 8; Water Quality Technician – 1) for water and sanitation the district also has personnel allocated to the municipality.

Community service providers – 39; borehole operators – 86; casuals responsible for treatment works and others on network – 36; Learnership interns – 9; contract workers – 8; water quality technician – 1; financial controller – 1; Operating and Maintenance technician – 1

#### Water Service Delivery Levels

| Description                                       | Ref | Year -3<br>Actual<br>No. | Year -2<br>Actual<br>No. | Year -1<br>Actual<br>No. | Year 0<br>Actual<br>No. |
|---|-----|--------------------------|--------------------------|--------------------------|-------------------------|
| Water: (above min level)                          |     |                          |                          |                          |                         |
| Piped water inside dwelling                       |     | 22663                    | 25510                    | 25540                    |                         |
| Piped water inside yard (but not in dwelling)     |     | 11854                    | 11854                    | 12006                    |                         |
| Using public tap (within 200m from dwelling )     | 2   | 8511                     | 9099                     | 8947                     |                         |
| Other water supply (within 200m)                  | 4   |                          |                          |                          |                         |
| Minimum Service Level and Above sub-total         |     | 43028                    | 46463                    | 46493                    |                         |
| Minimum Service Level and Above Percentage        |     | 84.80%                   | 90.80%                   | 90.85%                   |                         |
| Water: (below min level)                          |     |                          |                          |                          |                         |
| Using public tap (more than 200m from dwelling)   | 3   |                          |                          |                          |                         |
| Other water supply (more than 200m from dwelling) | 4   | 7692                     | 4710                     | 4680                     |                         |
| No water supply                                   |     |                          |                          |                          |                         |
| Below Minimum Service Level sub-total             |     | 7692                     | 4710                     | 4680                     |                         |
| Below Minimum Service Level Percentage            |     | 15.20%                   | 9.20%                    | 9.15%                    |                         |
| Total number of households*                       | 5   | 50720                    | 51173                    | 51173                    |                         |



### 3.2 WASTE WATER (SANITATION) PROVISION

#### Households - Solid Waste Service Delivery Levels below the minimum

| Description   | Year -3 | Year -2 | Year -1 | Original Budget No. | Year 0 Adjusted Budget No. | Households |
|---|---------|---------|---------|---------------------|----------------------------|------------|
|   | Actual  | Actual  | Actual  |                     |                            | Actual     |
|   | No.     | No.     | No.     |                     |                            | No.        |
| <b>Formal Settlements</b>                               |         |         |         |                     |                            |            |
| Total households  | 46      | 46      | 4       |                     |                            |            |
| Households below minimum service level                  | -       | -       | 7       |                     |                            |            |
| Proportion of households below minimum service level    | 0%      | 0%      | -       |                     |                            |            |
| <b>Informal Settlements</b>                             |         |         |         |                     |                            |            |
| Total households  | 3       | 3       | 3       |                     |                            |            |
| Households ts below minimum service level               | 1       | 1       | 1       |                     |                            |            |
| Proportion of households ts below minimum service level | 42%     | 49%     | 5       |                     |                            |            |

Sanitation is not the competence of the municipality; it is the function of the Chirs Hani District Municipality. Sanitation backlogs remain higher than that of water in especially the rural areas. The falling behind of basic sanitation is attributable to slow processes of VIP implementation in the last five years compared to water.

Chris Hani District Municipality (CHDM) is the Water Services Authority (WSA) whilst Lukhanji LM is a Water Services Provider (WSP). The primary responsibility of ensuring that local people have access to water and sanitation rests with CHDM. Lukhanji Municipality is responsible for operation and maintenance of the water and sanitation network. The operation and maintenance of the water and sanitation network is fully funded by the water and sanitation subsidy.

Water and Solutions Southern Africa (WSSA) is a service provider operating and maintaining the network on behalf of the Municipality in a long term contract. The contract expires in 2017 and covers suburbs of Queenstown, Ezibeleni and Mlungisi townships. As part of the contract WSSA replaces 2, 5km of the ageing water pipes annually. The district intends to take over the function from all its local municipalities.

Water for Queenstown is imported from Waterdown Dam and blended with water from Bonkolo Dam. Boreholes augment the water supply. The importing of water to Queenstown from Waterdown Dam starves Whittlesea of adequate water supply. To address this problem and service the poorly serviced Ilinge Township, a project to supply Queenstown with water from Xonxa Dam is being undertaken by the CHDM. The implementation of the project is slow as it requires well over R350 million capital funding. A further R223 million is required to supply bulk water supply to the proposed settlement of New Rathwick.

### 3.3 ELECTRICITY

#### Electricity Service Delivery Levels

| Households  |                          |                          |                          |                         |
|---|--------------------------|--------------------------|--------------------------|-------------------------|
| Description   | Year -3<br>Actual<br>No. | Year -2<br>Actual<br>No. | Year -1<br>Actual<br>No. | Year 0<br>Actual<br>No. |
| <b><u>Energy: (above minimum level)</u></b> Electricity (at least min.service level) Electricity - prepaid (min.service level) <i>Minimum Service Level and Above sub-total</i> | 1,752<br>48,641          | 1,697<br>48,713          | 1,655<br>48,842          |                         |
|   | 50,393                   | 50,410                   | 50,497                   |                         |
| <i>Minimum Service Level and Above Percentage</i>   | 98.5%                    | 98,5%                    | 98,5%                    |                         |
| <b><u>Energy: (below minimum level)</u></b>   |                          |                          |                          |                         |
| Electricity (< min.service level)   | –                        | –                        | –                        |                         |
| Electricity - prepaid (< min. service level)  | 1                        | 1                        | 1                        |                         |
| Other energy sources  | –                        | –                        | –                        |                         |
| <i>Below Minimum Service Level sub-total</i>  | 1                        | 1                        | 1                        |                         |
| <i>Below Minimum Service Level Percentage</i>   | 1.3%                     | 1,5%                     | 1,5%                     |                         |
| <b>Total number of households</b>   | 51,039                   | 51,173                   | 51,263                   |                         |

## Households - Electricity Service Delivery Levels below the minimum

| Description  | Year -3 | Year -2 | Year -1 | Original Budget No. | Households          |        |
|--|---------|---------|---------|---------------------|---------------------|--------|
|  | Actual  | Actual  | Actual  |                     | Year 0              | Actual |
|  | No.     | No.     | No.     |                     | Adjusted Budget No. | No.    |
| <b>Formal Settlements</b>                            |         |         |         |                     |                     |        |
| Total households                                     | 51,039  | 51,173  | 51,263  |                     |                     |        |
| Households below minimum service level               | -       | -       | -       |                     |                     |        |
| Proportion of households below minimum service level | 0%      | 0%      | 0%      |                     |                     |        |
| <b>Informal Settlements</b>                          |         |         |         |                     |                     |        |
| Total households                                     | 1       | 1       | 1       |                     |                     |        |
| Households below minimum service level               | 1       | 1       | 1       |                     |                     |        |
| Proportion of households below minimum service level | 100%    | 100%    | 100%    |                     |                     |        |

The following are the functions of the municipality with regards to provision of electricity in the area:

- ⇒ Repairs and maintenance of all existing electrical networks within the Ezibeleni, Mlungisi and Queenstown;
- ⇒ Provision of new networks required in the same areas;
- ⇒ Daily provision of electrical connections to new customers;
- ⇒ Provision of a support service to the BTO in terms of disconnections and reconnections of defaulted customers.

### Electricity Master Plan

The electricity master plan was approved by the Council in around October 2013.

During the 2013/14 budget adjustment Council approved an amount of R5 million for the implementation of the electricity master plan of the municipal electricity master plan.

The master plan intends addressing the following points:

The upgrade of 4 X 66/11 kV intake sub-stations to cater for a nominated maximum demand of

70 MVA over the next 5 to 10 years.

The electricity network was planned and constructed between 1975 and 1990 and has never been upgraded or refurbished. Many of the major elements of the electricity infrastructure

are more than 35 years old and are reaching end of life span. Five year forecasts taken from a median point of view show that our NMD will rise to 68 MVA.

The existing 11kVA underground cabling is not capable of handling existing demand and fault currents. There are serious overload conditions in Ezibeleni, Mlungisi and Queenstown CBD.

The situation of the electricity network means that no further new connections are possible in areas such as Ezibeleni, Newvale, Nomzamo, Aloveale, Queenstown CBD and the proposed New Rathwick. It is increasingly becoming very difficult to keep lights burning in the winter season peak period.

The Ezibeleni electrical transformer was damaged in February 2014. The community was left with no electricity for about a week. As a temporary solution one of the transformers from the Queens Casino was taken to Ezibeleni to counteract the challenge.

In the electricity master plan, the intention is to have 2 transformers in each area to address the electricity outages and this also cater for the new development

Ninety-seven percent of households in the Municipal Area are electrified.

### 3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

### 3.5 HOUSING

The Lukhanji Municipality IDP states that the demand for housing in the Municipality is estimated to be approximately 40 000 units. Approximately 99% of the applicants fall within the income range of R0 – R2500. This only relates to beneficiaries who qualify for the give-away housing subsidy schemes.

| <b>INCOME GROUP</b> | <b>% OF TOTAL</b> | <b>ESTIMATED NO OF</b> |
|---------------------|-------------------|------------------------|
| R0-R1500.00         | 97                | 38 880 units           |
| R1501-R2500         | 2%                | 800 units              |
| R2501-R3500         | 1%                | 320 units              |
| Total               | 100               | 40 000 units           |

The municipality has a housing waiting list and provides an analysis of the potential beneficiaries based on current accommodation as follows:

| <b>DEMAND BY CURRENT ACCOMMODATION</b> | <b>% OF TOTAL</b> | <b>ESTIMATED NO. OF UNITS</b> |
|--|-------------------|-------------------------------|
| Backvard Shacks                        | 5%                | 200                           |
| Renting                                | 13%               | 5200                          |

|                        |     |       |
|------------------------|-----|-------|
| Stay in Family House   | 34% | 13600 |
| Informal Settlement    | 46% | 18400 |
| Desire to Own Property | 2%  | 800   |

The housing backlog figures furthermore merely provide a bulk estimate *viz.* no distinction has been made between rural and urban housing demand. It is therefore vital to determine the breakdown and subsequent distinction between the urban and rural housing demand in order to determine the type of housing units required.

Details of the housing waiting list indicates a total of 100 903 applicants will require housing in future. This includes the disabled, new applicants, those requiring formalization / upgrading, those to be relocated from backyard shacks, etc.

### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

## COMPONENT B: ROAD TRANSPORT

### 3.7 ROADS

The Department of Roads and Transport contracted a service provider to assess all the provincial roads. The same service provider is also contracted by the district municipality to assist all local municipalities to assess the municipal roads.

To assist municipalities have a predetermination of the allocation of the MIG funding. This will be applicable from 15/16 F/Y. From then onwards no municipalities will be allocated MIG funding for roads if the system is not in place.

District municipalities receive the RRAMS grant to undertake the programme

Roads audit done to all municipalities, an inventory has been compiled to make LM GRAP compliant. Progress report on the work done thus far was presented to CHDM local municipalities on 12 March 2014

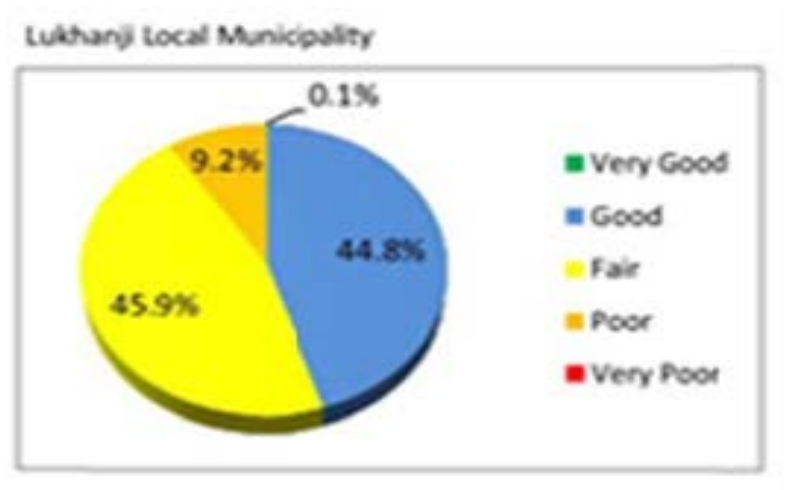
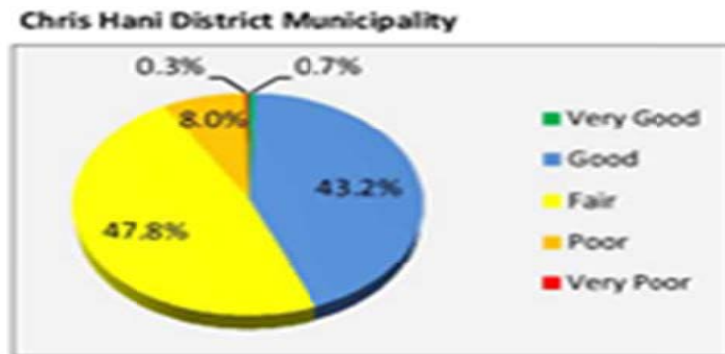
#### **Personnel**

The roads section has 10 newly contracted truck drivers, 2 supervisors, 1 roads technician, 3 grader operators, 3 excavator operators and 3 grade roller operators.

#### **Road Condition – Surfaced Roads**

The Department of Roads and Transport has contracted a company called Engineering Advice Services to assess the conditions in the Province. The same company was contracted by Chris Hani District Municipality to zoom into all roads of the local municipality of the district.

Below is the pie chart below depicts the picture of roads in both the district and Lukhanji



The municipality approved a roads maintenance plan that focuses on both surfaced roads and gravel roads. As part of the roads maintenance plan the purchase the municipality purchased 56 vehicles which were divided into all the municipal departments, the majority of which are for road maintenance and repair. The report and recommendations municipality to enhance the plan.

**Personnel**

10 drivers were employed to operate the new plant. However, this plant does not cover all the wards. As a result the plant is divided amongst the 27 wards and 3 clusters have been formed to address the shortfall. A designated set rotates per cluster. The challenge is that

due to the conditions of the roads as stated above, the plant takes longer periods in one ward per cluster and the others become impatient.

### Servicing of the new plant

The challenge is that with the newly purchased plant, the service provider refuses to maintain the fleet as per the tender document or contract. This has caused delays in the maintenance of roads. The municipality has taken the company to court so that it can comply with the contract agreement.

### Gravel Roads Infrastructure

| Kilometers |                    |                              |                              |                                |
|------------|--------------------|------------------------------|------------------------------|--------------------------------|
|            | Total gravel roads | New gravel roads constructed | Gravel roads upgraded to tar | Gravel roads graded/maintained |
| Year -2    | 160                | 20                           | 12                           | 120                            |
| Year -1    | 166                | 25                           | 14                           | 140                            |
| Year 0     | 162                | 9                            | 1                            | 30                             |

### Tar Road Infrastructure

| Kilometers |                    |               |                              |                               |                      |
|------------|--------------------|---------------|------------------------------|-------------------------------|----------------------|
|            | Total tarred roads | New tar roads | Existing tar roads re-tarred | Existing tar roads re-sheeted | Tar roads maintained |
| Year -2    | 98                 | 14            | 25                           | 15                            | 120                  |
| Year -1    | 114                | 20            | 30                           | 25                            | 140                  |
| Year 0     | 124                | 0             | 9                            | 9                             | 81                   |

### Financial Performance Year 0: Road Services

| R'000                         |                |                 |                   |          |                    |
|-------------------------------|----------------|-----------------|-------------------|----------|--------------------|
| Details                       | Year -1 Actual | Year 0          |                   |          | Variance to Budget |
|                               |                | Original Budget | Adjustment Budget | Actual   |                    |
| Total Operational Revenue     | 21032860       | 8556196         | 8556196           | 6020975  | -42%               |
| Expenditure:                  |                |                 |                   |          |                    |
| Employees                     | 6188865        | 9340144         | 9853332           | 9110319  | -3%                |
| Repairs and Maintenance       | 2289060        | 3841518         | 4079011           | 3772560  | -2%                |
| Other                         | 9826032        | 9613928         | 7749281           | 8667118  | -11%               |
| Total Operational Expenditure | 18303957       | 22795590        | 21681624          | 21549997 | -6%                |

|                             |          |          |          |          |    |
|-----------------------------|----------|----------|----------|----------|----|
| Net Operational Expenditure | -2728903 | 14239394 | 13125428 | 15529022 | 8% |
|-----------------------------|----------|----------|----------|----------|----|

### 3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

### 3.9 WASTE WATER (STORMWATER DRAINAGE)

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.10 PLANNING

### 3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

### 3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

Libraries are a Provincial function, under the Department of Sport, Recreation, Arts & Culture.

The service is implemented by the municipality and although the service should be fully funded by the Province, it is currently only partially funded.

The primary purpose of the public libraries is to provide resources in a variety of media to meet the needs of individuals and groups for education, information and personal development including recreation and leisure.

There are five libraries viz:

- ⇒ Mlungisi library;
- ⇒ Ashley Wyngaard Library in Parkvale;
- ⇒ Queenstown Library;
- ⇒ Barrington Mndi Library in Ezibeleni and;
- ⇒ Whittlea Library within Lukhanji Municipality.

### 3.13 CEMETORIES AND CREMATORIUMS

### 3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES



## COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

## COMPONENT F: HEALTH

3.17 CLINICS

3.18 AMBULANCE SERVICES

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION

## COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

3.21 FIRE

3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

## COMPONENT H: SPORT AND RECREATION

3.23 SPORT AND RECREATION

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

| SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - OFFICE OF THE MUNICIPAL MANAGER 2013 / 2014 |  |   |   |   |                    |               |                                      |   |   |                                     |   |                             |
|---|--|---|---|---|--------------------|---------------|--------------------------------------|---|---|-------------------------------------|---|-----------------------------|
| KEY PERFORMANCE AREA - GOOD GOVERNANCE AND PUBLIC PARTICIPATION                               |  |   |   |   |                    |               |                                      |   |   |                                     |   |                             |
| PRIORITY AREA   | IDP OBJECTIVE  | IDP STRATEGY  | INDICATOR   | BASELINE  | MEASUREMENT SOURCE | BUDGET AMOUNT | FUNDING SOURCE                       | ANNUAL TARGET   | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT         | REMEDIAL ACTION   | CUSTODIAN                   |
| Public Participation  | To improve participation of target groups in the activities of the municipality by June 2017             | To develop and implement annual public participation programme  | Approved public participation strategy                            | Communication Strategy                                | Quarterly reports  |               |                                      | Development, approval and implementation of the Public Participation Policy | Not Achieved                              | Draft Strategy concluded in 2014/15 | Public participation strategy developed in 2014/15, and presented in the strat plan | Strategic Executive Officer |
| Internal Audit  | To ensure that the municipality adheres and complies with all municipal laws and regulation by June 2017 | Facilitate development, monitor and implement internal controls | Adherence to municipal laws and regulations                       | Audit Charter, Internal Audit Plan, Audit Action Plan | Quarterly Reports  |               | Equitable Share / Operational Budget | Full implementation of the internal audit plan                              | Achieved                                  | 5                                   |   | Strategic Executive Officer |
|   |  | Develop internal controls and compliance checklist              | Compliance reports developed and submitted to various departments | Nil   | Quarterly Reports  |               | Equitable Share / Operational Budget | Full implementation of the internal controls                                | Not Achieved                              |                                     |   | Strategic Executive Officer |

|  |  |  |                                 |                                       |                               |  |                                      |  |              |  |  |                             |
|--|--|--|---------------------------------|---------------------------------------|-------------------------------|--|--------------------------------------|--|--------------|--|--|-----------------------------|
| Risk Management                        | To ensure that the institution managed its risks to ensure effective service delivery by June 2014 | Establishment of risk management structures  | Approved risk management plan   | Draft risk management plan and policy | Quarterly reports             |  | Equitable Share / Operational Budget | Establishment of the risk management committee                                   | Not Achieved |  | Committee will be trained in 2014/15 FY                | Strategic Executive Officer |
|  |  | Development and implementation of risk management plan   |                                 | Draft risk management plan and policy | Monthly and quarterly reports |  | Equitable Share / Operational Budget | Development, workshopping and implementation of the risk management plan         | Not Achieved |  |  |                             |
| Communications, marketing and Branding | To maximise participation of citizens in municipal affairs by June 2014                            | Intensify municipal branding, public relations through innovative communication & marketing initiative | Approved communication strategy | Communication Action Plan             | Quarterly reports             |  | Equitable Share / Operational Budget | Monitor the implementation of the marketing, communication and branding programs | Achieved     |  |  | Strategic Executive Officer |
| Legal services                         | To provide the municipality with reliable legal service on continuous basis by June 2014           | Establishment and capacitation of an internal legal services unit                                      | Approved organogram             | Nil                                   | Quarterly reports             |  | Equitable Share / Operational Budget | Establishment of the legal advisor unit and employment                           | Achieved     |  | Reports submitted to the municipality by its attorneys | Strategic Executive Officer |

|                    |   |  |   |  |                                    |  |                    |   |          |  |  |                             |
|--------------------|---|--|---|--|------------------------------------|--|--------------------|---|----------|--|--|-----------------------------|
| Special Programmes | To ensure that the municipality advocates the interests designated groups to adhere to relevant legislative policy framework by June 2017   | Interpretation of legislation and government programmes relating to special groups | Functional Structures in place  |  | Quarterly Reports to SPU Committee |  | Operational Budget | Development and Implementation of SPU Programme | Achieved |  |  | Strategic Executive Officer |
|                    | To create an enabling environment to empower designated groups to be able to realise their full potential and understand their roles and responsibilities, making a meaningful contribution to the development of a non-racial, prosperous society by June 2017 | Development of programmes for the designated group                                 | Increased involvement of designated groups in te developmental agenda of the municipality |  | Quarterly Reports to SPU Committee |  | Operational Budget | Establishment of functional SPU Structures      | Achieved |  |  | Strategic Executive Officer |

|                    |  |  |                                    |                          |                            |                                      |  |   |          |  |                             |                             |
|--------------------|--|--|------------------------------------|--------------------------|----------------------------|--------------------------------------|--|---|----------|--|-----------------------------|-----------------------------|
| Municipal Planning | To improve municipal planning processes with the aim of developing credible IDP and Budget by adhering to legislative prescripts and policies by June 2017 | Annual review of the municipal IDP                                   | Approved Reviewed IDP              | Approved IDP 2012 / 2017 | IDP Implementation reports |                                      | Equitable share                                  | Approved of the Reviewed IDP (2nd Review) 2014 / 2015 | Achieved |  |                             | Strategic Executive Officer |
|                    | Establishment of IDP Review Committees   | Implementation of the approved IDP Framework and Review Process Plan | Approved IDP Framework 2012 / 2017 | Quarterly Reports        |                            | Equitable Share / Operational Budget | Full Implementation of the adopted IDP Framework | Achieved  |          |  | Strategic Executive Officer |                             |

|                               |  |  |  |  |                               |                                      |  |  |                                     |  |  |                             |
|-------------------------------|--|--|--|--|-------------------------------|--------------------------------------|--|--|-------------------------------------|--|--|-----------------------------|
| Performance Management System | To manage institutional performance by developing and implementing an approved PMS Framework and Policy by June 2017 | Monitor, evaluate and review municipal performance by adhering to legislative prescripts and policies for full implementation of performance management system | Approved PMS Framework                           | Approved Performance Management System Framework | Quarterly Performance Reports |                                      | Equitable Share                                  | Development, approval and implementation of the Service Delivery and Budget Implementation Plans | Not Achieved                        | Performance Agreements not in place                    | Conclusion of PMS Framework and Performance Agreements | Strategic Executive Officer |
|                               | Establishment of PMS Committees  | Quarterly performance reports developed and assessed   | Approved Performance Management System Framework | Quarterly Performance Reports                    |                               | Equitable Share / Operational Budget | Full Implementation of the adopted PMS Framework | Not Achieved   | No Performance Agreements concluded | Conclusion of PMS Framework and Performance Agreements | Strategic Executive Officer                            |                             |

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - HUMAN RESOURCES AND ADMINISTRATION 2013 / 2014

KEY PERFORMANCE AREA - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

| PRIORITY AREA             | IDP OBJECTIVE   | IDP STRATEGY   | INDICATOR  | BASELINE  | WEIGHT | MEASUREMENT SOURCE  | BUDGET AMOUNT | FUNDING SOURCE     | ANNUAL TARGET                  | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT  | REMEDIAL ACTION | CUSTODIAN                                   |
|---------------------------|---|--|--|---|--------|---------------------|---------------|--------------------|--------------------------------|---|--|-----------------|---|
| Skills Development        | To develop skills of the municipal workforce in order to improve productivity in the workplace and competitiveness in the workplace | The development of WSP   | Approved WSP                                     | Training policy, skills audit report, training committee in place | 15     | Training reports    | R250 000.00   | Operational Budget | Full implementation of the WSP | Achieved                                  |  |                 | Director Human Resources and Administration |
| Recruitment and Selection | To ensure that the Municipality has an approved organogram in line with applicable legislation by June 2017                         | Review of the organogram   | Approval of the Reviewed Organogram              | 2002 Organogram   | 15     | approved organogram |               | MSIG               | Approved Reviewed Organogram   | Partly                                    | Draft structure was developed it still needs to be approved by Council |                 | Director Human Resources and Administration |
| Leave Management          | To ensure that leave management policy is fully implemented by all members in the municipality by June 2017                         | Workshopping of the reviewed leave policy to all members of the municipality | Improved accuracy and compliance to leave policy | Draft Leave Policy  | 15     | Leave Reports       |               | Operational Budget | Approved leave policy          | Achieved                                  |  |                 | Director Human Resources and Administration |

|                                |  |   |                                   |   |  |   |  |                    |   |                 |   |  |   |
|--------------------------------|--|---|-----------------------------------|---|--|---|--|--------------------|---|-----------------|---|--|---|
|                                |  | Development and implementation of the Audit Action Plan to respond to the identified audit findings around leave management | Reduced audit findings            | Audit Action Plan                         |  | Progress Report                         |  | Operational Budget | Full implementation of Audit Action Plan on Leave | Achieved        |   |  | Director Human Resources and Administration |
| Employee Relations             | To ensure that employee related matters are handled in line with the applicable regulations by June 2014                   | Workshopping of work related policies   | Decrease in disciplinary issues   | Disciplinary code and grievance procedure |  | Disciplinary hearing and dispute report |  | Operational Budget | Adherence to the policies and procedures          | Achieved        |   |  | Director Human Resources and Administration |
| Occupational Health and Safety | To ensure that the municipality provides a healthy and safety working environment for all municipal employees by June 2014 | Directorates nominates health and safety representative in each directorate   | Reduction in injury on duty cases | Health and Safety Policy and Procedure    |  | Quarterly Reports                       |  | Operational Budget | Adherence to the policies and procedures          | Achieved        |   |  | Director Human Resources and Administration |
| Payroll                        | To ensure that the HR policies and procedures relating to payroll are adhered to by June 2014                              | Workshopping of all staff members on HR Policies  | Reduction in payroll queries      | Payroll System and Procedure Manuals      |  | Monthly Reports                         |  | Operational Budget | Adherence to policies and procedures of payroll   | Partly Achieved | Payroll system not iactivated in the HR section and done by BTO |  | Director Human Resources and Administration |



SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - BUDGET AND TREASURY OFFICE 2013 / 2014

KEY PERFORMANCE AREA - FINANCIAL VIABILITY AND MANAGEMENT  
MID-YEAR PERFORMANCE REPORTING

| PRIORITY AREA                           | IDP OBJECTIVE   | IDP STRATEGY  | INDICATOR   | BASELINE                                | WEIGHT | MEASUREMENT SOURCE                         | BUDGET AMOUNT | FUNDING SOURCE | ANNUAL TARGET                           | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT | REMEDIAL ACTION  | CUSTODIAN               |
|---|---|---|---|---|--------|--|---------------|----------------|---|---|-----------------------------|------------------|-------------------------|
| Revenue and Debt management             | To ensure that there is 10% debt in the municipal books by June 2017. | Full implementation of the revenue enhance strategy         | Full Implementation of the Revenue Enhancement Strategy | NIL ( Debtors Book for 2012/13          | 15     | Quarterly reports and debtors age analysis | NIL ( N/A)    | N/A            | Reduce existing debt by 10%             | Partly Achieved                           | Target of 10% not achieved  | Debtor cleanisng | Chief Financial Officer |
|   |   |   |   |   | 10     | Revenue Collection reports                 | NIL           | Own Income     | 80% budgeted revenue collection         | Achieved                                  | N/A                         | N/A              | Chief Financial Officer |
| Expenditure and Supply Chain Management |   | Full Implementation of the Approved Procurement Plan        | Approved Procurement Plan                               | Previous year's Procurement Plan        | 5      | Quarterly reports                          | NIL           | NIL            | Approved Procurement Plan               | Achieved                                  | N/A                         | N/A              | Chief Financial Officer |
|   |   | Full implementation of the Supply Chain Management Policies | Approved Reviewed Supply Chain Management Policy        | Reviewed Supply Chain Management Policy | 10     | Quarterly reports                          | NIL           | NIL            | Approved Supply Chain Management Policy | Achieved                                  |                             | N/A              | Chief Financial Officer |

|                                   |   |  |  |  |    |   |           |     |   |                 |  |  |                         |
|-----------------------------------|---|--|--|--|----|---|-----------|-----|---|-----------------|--|--|-------------------------|
| Asset Management                  | Ensure safeguarding of municipal assets                     | Implementation of approved Asset Management Policy | Approved Asset Management Policy and procedure manual                              | Draft asset management policy                | 4  | Approved asset management policy and procedure manual           | NIL       | NIL | Approved Asset Management Policy and procedure manual         | Partly Achieved | Infrastructure assets not valued as per GRAP standards | Valuation of infrastructure assets will be done in 2014/15 | Chief Financial Officer |
|                                   |   |  | GRAP compliant fixed asset register  | Fixed Asset Register                         | 6  | GRAP compliant fixed asset register and monthly reconciliations | Nil       | Nil | Updated GRAP compliant fixed asset register                   | Partly Achieved | Fixed Assets Register not GRAP aligned                 | Service provider to assist in GRAP compliant FAR           | Chief Financial Officer |
| Budgeting and Financial Reporting | Ensure timeous and accurate financial reporting as per MFMA | Preparation of financial reports                   | Annual Financial Statements; Mid-year performance report; Other Compliance reports | Previous year's AFS, Sec 71 & 72 reports     | 10 | AFS, MFMA Sec 11, 71, 52, 72 & half yearly                      | R 200 000 | FMG | Submission of AFS and Compliance Financial Reports            | Achieved        | N/A  | Section 11 report to be prepared and submitted             | Chief Financial Officer |
|                                   |   |  | Approved Municipal Budget 2014 / 2015; Approved 2013/14 Budget Adjustment          | Previous year's budget and adjustment budget | 10 | Approved 2014/2015 Budget; Approved 2013/14 Budget Adjustment   | NIL       | NIL | Approved 2014/2015 Budget; Approved 2013/14 Budget Adjustment | Achieved        | N/A  | N/A  | Chief Financial Officer |

|  |   |  |  |  |    |   |     |     |   |                 |   |                                     |                         |
|--|---|--|--|--|----|---|-----|-----|---|-----------------|---|-------------------------------------|-------------------------|
| Expenditure and Liability Management   | Ensure compliance with the provisions of the MFMA   | Develop the expenditure management policy and procedure manual | Expenditure management policy and procedure manual     | NIL  | 10 | Approved Expenditure management policy and procedure manual | NIL | NIL | Approved Expenditure management policy and procedure manual       | Achieved        | policy was approved   | Policy to be reviewed and approved  | Chief Financial Officer |
|  | Ensure compliance with MFMA Sec 11, 65 and 66   | Development of reports and payment of creditors                | Timeous submission of reports and payment of creditors | NIL  | 10 | Reports and creditors age analysis                          | NIL | NIL | Submission of reports and payment of creditors within 30 days     | Partly Achieved | Creditors analysis done but payment within 30 days not achieved | Credotors to be paid within 30 days | Chief Financial Officer |
| <b>KEY PERFORMANCE AREA - GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>               |   |  |  |  |    |   |     |     |   |                 |   |                                     |                         |
| <b>KEY PERFORMANCE AREA - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT</b> |   |  |  |  |    |   |     |     |   |                 |   |                                     |                         |
| Information and Communication Technology   | To ensure that the institution has policies and regulatory framework relating to IT management by June 2017 | Verification of IT Equipment                                   | Database on IT equipment                               | Workshop and Approval of IT policy, Employment of IT technician, Development and maintainance of IT register, Access control and recording of movements. Centralisation of IT equipment. | 20 | Documentation on Policies                                   | 0   | 0   | To have Adopted It Policies in Place that are approved by council | achieved        | Policies reviewed and approved by council                       |                                     | Chief Financial Officer |

|   |  |  |   |    |  |   |   |   |                 |                                   |   |                         |
|---|--|--|---|----|--|---|---|---|-----------------|-----------------------------------|---|-------------------------|
|   | Development of IT internal controls  | Approved disaster recovery management plan | No offsite Disaster premises identified | 30 | Verification of data and backups systems | 0 | 0 | Fully Fideged DR management plan  | Partly achieved | Policies developed and approved   | Disaster recovery management plan to be approved alongside draft policies | Chief Financial Officer |
| To ensure that the municipality has proper IT infrastructure and equipment by June 2017 | Centre coordination for the development of specification on all IT equipment | Centralized server room                    | Insufficient Infrastructure             | 30 | Verification of data kept Centrally      | 0 | 0 | Effective Network Infrastructure for all Municipal Users which is properly maintained | Not Achieved    | centralised server room not built | Decision to speed up on where server room is to be located.               | Chief Financial Officer |

| LUKHANJI LOCAL MUNICIPALITY  |   |                            |  |  |        |                    |               |                    |                                |   |                             |  |   |
|--|---|----------------------------|--|--|--------|--------------------|---------------|--------------------|--------------------------------|---|-----------------------------|--|---|
| SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - INTEGRATED PLANNING AND ECONOMIC DEVELOPMENT 2013 / 2014 |   |                            |  |  |        |                    |               |                    |                                |   |                             |  |   |
| KEY PERFORMANCE AREA - LOCAL ECONOMIC DEVELOPMENT  |   |                            |  |  |        |                    |               |                    |                                |   |                             |  |   |
| PRIORITY AREA  | IDP OBJECTIVE   | IDP STRATEGY               | INDICATOR                                  | BASELINE   | WEIGHT | MEASUREMENT SOURCE | BUDGET AMOUNT | FUNDING SOURCE     | ANNUAL TARGET                  | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT | REMEDIAL ACTION                          | CUSTODIAN   |
| Economic Development   | To establish collaborations and package all resources and unlock the economic opportunities within the municipality | Review of the LED Strategy | LED Strategy reviewed for the 2013 to 2018 | 1. LED Strategy 2009<br>2. Draft Reviewed Strategy |        | Quarterly reports  | R 250 000.00  | Operational Budget | Approved Reviewed LED Strategy | Not Achieved                              | It was not budgeted for     | Strategy will be reviewed in 2014/15 F/Y | Director Integrated Planning and Economic Development |

|                      |   |   |   |  |  |                   |  |                    |   |                              |   |                              |   |   |
|----------------------|---|---|---|--|--|-------------------|--|--------------------|---|------------------------------|---|------------------------------|---|---|
| Tourism and Heritage | To enhance development of tourism and heritage in the municipal area by June 2017 | Develop and Implement Tourism and Heritage Sector Plan      | Approval of Tourism Sector Plan   | 1. Concept on tourism and heritage in place<br>2. Local Tourism Organisation |  | Quarterly reports |  | Operational Budget | Tourism and Heritage Sector Plan Developed  | Not Achieved                 | No budget   | It will be done in 14/15 F/Y | Director Integrated Planning and Economic Development |   |
|                      |   | Develop annual programme on tourism and heritage activities | Implementation of the Annual Programme on rural and heritage activities | Chris Hani Annual Heritage Programme   |  | Quarterly reports |  | Operational Budget | Development and implementation of the reviewed annual programme   | Achieved                     | Programme, reports on activities as per programme |                              | Director Integrated Planning and Economic Development |   |
|                      |   |   | Local Tourism Organization Established and Terms of Reference approved  |  |  |                   |  |                    |   | Functional and effective LTO |   |                              |   | Director Integrated Planning and Economic Development |
|                      |   | Heritage Publication or booklet developed and issued        |   |  |  | Quarterly reports |  | Operational Budget | Vibrant reference group with policy, booklet develop with preparations to establish a website and marketing programme on heritage sites of Lukhanji | Not Achieved                 | No budget   |                              | Director Integrated Planning and Economic Development |   |

|   |   |   |  |  |  |                   |  |                    |   |                 |   |  |   |
|---|---|---|--|--|--|-------------------|--|--------------------|---|-----------------|---|--|---|
| SIMME Development   | To ensure participation of SMME's in the economic activities of the region by June 2017 | Capacitation of the SMME's  |  |  |  | Quarterly reports |  | Operational Budget | To ensure a semi formal business participation of SMME's in the economic activities of Lukhanji | Achieved        | Reports on capacity building , attendance registers and photos  |  | Director Integrated Planning and Economic Development |
|   |   | To provide support to Hawkers in-line with the approved informal trading policy |  |  |  | Quarterly reports |  | Operational Budget | Annual support programme for Hawkers  | Achieved        | Reports   |  | Director Integrated Planning and Economic Development |
| Agriculture   | To ensure agricultural development of the municipal area by June 2017                   | To develop infrastructure for livestock improvement                             |  |  |  | Quarterly reports |  | MIG                | Vibrant agricultural sector with consultations and annual programmes                            | Partly Achieved | Fencing project still outstanding                               |  | Director Integrated Planning and Economic Development |
|   |   | To identify and allocate agro-processing space for agricultural products        |  |  |  |                   |  |                    | Rezoning of agro processing areas for different type of products                                | Achieved        | SEZ document, minutes and reports on engagements on the concept |  | Director Integrated Planning and Economic Development |
| KEY PERFORMANCE AREA - GOOD GOVERNANCE AND PUBLIC PARTICIPATION               |   |   |  |  |  |                   |  |                    |   |                 |   |  |   |
| KEY PERFORMANCE AREA - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT |   |   |  |  |  |                   |  |                    |   |                 |   |  |   |

|                               |  |  |  |  |  |   |  |                                      |  |                 |   |  |   |
|-------------------------------|--|--|--|--|--|---|--|--------------------------------------|--|-----------------|---|--|---|
| Municipal Planning            | To improve municipal planning processes with the aim of developing credible IDP and Budget by adhering to legislative prescripts and policies by June 2017 | Implement and review IDP and Budget in line with the legislative requirements by June 2017   | An approved integrated IDP and Budget Process Plan                   | Previous year's IDP Process Plan (2012 / 2013)   |  | Compliance reports on the adopted IDP Review Process Plan 2014 / 2015 |  | Equitable Share                      | Development, adoption and implementation of the IDP Review Process Plan                          | Achieved        |   |  | Director Integrated Planning and Economic Development |
|                               |  | Annual review of the municipal IDP   | Approved Reviewed IDP  | Approved IDP 2012 / 2017                         |  | IDP Implementation reports  |  | Equitable share                      | Approved of the Reviewed IDP (2nd Review) 2014 / 2015  | Achieved        |   |  | Director Integrated Planning and Economic Development |
|                               |  | Establishment of IDP Review Committees   | Implementation of the approved IDP Framework and Review Process Plan | Approved IDP Framework 2012 / 2017               |  | Quarterly Reports   |  | Equitable Share / Operational Budget | Full Implementation of the adopted IDP Framework   | Achieved        | Seating of committees as per process plan be adhered to |  | Director Integrated Planning and Economic Development |
| Performance Management System | To manage institutional performance by developing and implementing an approved PMS Framework and Policy by June 2017                                       | Monitor, evaluate and review municipal performance by adhering to legislative prescripts and policies for full implementation of performance management system | Approved PMS Framework   | Approved Performance Management System Framework |  | Quarterly Performance Reports   |  | Equitable Share                      | Development, approval and implementation of the Service Delivery and Budget Implementation Plans | Partly Achieved | PMSFramework done but not adhered to.                   | PMS Framework should be implemented and budgeted for | Director Integrated Planning and Economic Development |

|  |  |                                 |  |  |  |                               |  |                                      |  |                 |  |   |   |
|--|--|---------------------------------|--|--|--|-------------------------------|--|--------------------------------------|--|-----------------|--|---|---|
|  |  | Establishment of PMS Committees | Quarterly performance reports developed and assessed | Approved Performance Management System Framework |  | Quarterly Performance Reports |  | Equitable Share / Operational Budget | Full Implementation of the adopted PMS Framework | Partly Achieved | No assessments were conducted. Management not acquainted with the PMS concept. | Regular Training on PMS to be conducted | Director Integrated Planning and Economic Development |
|--|--|---------------------------------|--|--|--|-------------------------------|--|--------------------------------------|--|-----------------|--|---|---|

LUKHANJI LOCAL MUNICIPALITY

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - HUMAN SETTLEMENTS AND LAND DEVELOPMENT 2013 / 2014

KEY PERFORMANCE AREA - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

| PRIORITY AREA  | IDP OBJECTIVE  | IDP STRATEGY   | INDICATOR   | BASELINE                       | WEIGHT | MEASUREMENT SOURCE | BUDGET AMOUNT | FUNDING SOURCE | ANNUAL TARGET                                   | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT | REMEDIAL ACTION | CUSTODIAN                                      |
|--|--|--|---|--------------------------------|--------|--------------------|---------------|----------------|---|---|-----------------------------|-----------------|--|
| Human Settlement and Land Development / <b>Town Planning</b> | To contribute towards the reduction of informal settlements and create sustainable human settlement in the municipal area by June 2014 | Facilitate review of the Spatial Development Framework | Reviewed and Approved Spatial Development Framework | Identification of land parcels |        | Reports            | N/A           | DoRD&LR        | Approved Reviewed Spatial Development Framework | Achieved                                  |                             |                 | Director Human Settlement and Land Development |



|                   |   |   |   |  |  |         |           |             |  |          |                                   |  |  |
|-------------------|---|---|---|--|--|---------|-----------|-------------|--|----------|-----------------------------------|--|--|
|                   | To manage land use and create environmentally friendly spaces in each zone in the municipal area by June 2014 | Facilitate recruitment of the building inspectors to improve land use management                        | Increase the number of land use applications                                      | No. of applications received                                     |  | Reports | R 200 000 | Lukhanji LM | Number of Processed Applications         | Achieved |                                   |  | Director Human Settlement and Land Development |
| General Valuation | To develop a credible and user friendly Valuation Roll  | Engagement of service provider and facilitate compilation of property profiles.                         | Approved Property Valuation Roll  | Publication and Production of Draft Supplementary Valuation Roll |  | Reports | R 600 000 | Lukhanji LM | Approved Valuation Roll                  | Achieved |                                   |  | Director Human Settlement and Land Development |
| Housing           | Identify and Secure land parcels for housing development  | Manage old housing stock and facilitate transfer of ownership to individual beneficiaries or households | Identification and registration of outstanding areas within Lukhanji Municipality | Number of applications and Title Deeds                           |  | Reports | N/A       | DHS         | Housing units registered and transferred | Achieved |                                   |  | Director Human Settlement and Land Development |
| Housing           |   | Facilitate development, approval and implementation of the housing sector plan                          | Approved Housing Sector Plan  | Draft Housing Sector Plan  |  | Reports | N/A       | DHS         | Approved Housing Sector Plan             | Achieved | PoE- Reviewed housing sector plan |  | Director Human Settlement and Land Development |

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN - COMMUNITY SERVICES

| KEY PERFORMANCE AREA - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT |   |                   |  |  |        |  |               |                    |   |   |   |  |                             |
|--|---|-------------------|--|--|--------|--|---------------|--------------------|---|---|---|--|-----------------------------|
| PRIORITY AREA  | IDP OBJECTIVE   | IDP STRATEGY      | INDICATOR  | BASELINE                               | WEIGHT | MEASUREMENT SOURCE                                     | BUDGET AMOUNT | FUNDING SOURCE     | ANNUAL TARGET                                       | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT   | REMEDIAL ACTION  | CUSTODIAN                   |
| Waste Management   | To ensure that 90% of our households have safe places to dispose of their refuse and waste by the end June 2014 | Refuse Disposal   | Ensure that 100% of solid waste collected by the Municipality is disposed in a permitted landfill site | Landfill Site<br>3 x Transfer Stations |        | Quarterly report on the operation of the Landfill Site | Nil           | Operational Budget | 100% ( 35 200 households)                           | Partly Achieved.                          | No vehicle to service transfer stations. Transfer stations not yet operational ( alterations to be done in Whittlesea Transfer Station. | Vehicle to be purchased to service the Transfer Stations. Technical Services to do alterations of the Whittlesea Transfer Station. | Director Community Services |
|  |   | Refuse Collection | Weekly refuse collection in townships and town.  | Refuse collection fleet.               |        | Monthly report on the collection of refuse             | 26887124      | Operational Budget | 100% ( 35 500 households)                           | Partly Achieved.                          | Shortage of refuse collection vehicles. Shortage of Staff.  | Purchase refuse collection fleet. Review curent organogram and employment of staff.  | Director Community Services |
| Public Amenities   |   | Libraries         | Number of Library Material Issued  | 60000                                  |        | Quarterly Report                                       | N/A           | Operational Budget | 70 000 Library material issues                      | Partly Achieved for 4th Quarter           | Holiday programmes need to be marketed more effectively .PoE reports  | Increase awareness in the Community  | Director Community Services |
|  |   |                   | Number of pupils interacted with in Extension Programmes   | 7000                                   |        | Quarterly Report                                       | N/A           | Operational Budget | 8000 Pupils interacted with in Extension Programmes | Achieved                                  |   |  | Director Community Services |

|   |   |  |                                   |                      |  |   |     |                    |  |                    |                            |                                      |                             |
|---|---|--|-----------------------------------|----------------------|--|---|-----|--------------------|--|--------------------|----------------------------|--------------------------------------|-----------------------------|
|   |   |  | Number of visits to Old Age Homes | 60                   |  | Quarterly Report                                | N/A | Operational Budget | 68 visits to Old Age Homes (for book deliveries) | Achieved           |                            |                                      | Director Community Services |
|   |   | To provide cleaning services to cemeteries | Number of cemeteries cleaned      | 6 Cemeteries cleaned |  | Quarterly Report                                | N/A | Operational Budget | 6 cemeteries cleaned                             | Achieved           |                            |                                      | Director Community Services |
|   |   | Parks                                      | Approved Public Amenities Plan    | Maintenance Schedule |  | Visual, Inspections and Monitoring of schedules | Nil | Operational Budget | Implementation of the plan                       | Achieved           |                            |                                      | Director Community Services |
|   |   | Sports Facilities                          | Approved Public Amenities Plan    | Maintenance Schedule |  | Visual, Inspections and Monitoring of schedules | Nil | Operational Budget | Implementation of the plan                       | Partially Achieved | Plan still to be developed | Plan will be developed in 2014/15 FY | Director Community Services |
| Disaster Management                               | To provide for fire suppression services to the Lukhanji Municipality | Provide fire suppression services          | Number of people trained          | 80                   |  | Reports   | Nil | Operational Budget | 100  | Achieved           |                            |                                      | Director Community Services |
|   |   |  | Number of inspections done        | 20                   |  | Reports   | Nil | Operational Budget | 30   | Achieved           |                            |                                      |                             |
| KEY PERFORMANCE AREA - LOCAL ECONOMIC DEVELOPMENT |   |  |                                   |                      |  |   |     |                    |  |                    |                            |                                      |                             |

|                  |   |   |  |  |  |                   |  |                    |                                      |          |  |  |                             |
|------------------|---|---|--|--|--|-------------------|--|--------------------|--------------------------------------|----------|--|--|-----------------------------|
| SMME Development | To ensure participation of SMME's in the economic activities of the region by June 2017 | To provide support to Hawkers in-line with the approved informal trading policy |  |  |  | Quarterly reports |  | Operational Budget | Annual support programme for Hawkers | Achieved |  |  | Director Community Services |
|------------------|---|---|--|--|--|-------------------|--|--------------------|--------------------------------------|----------|--|--|-----------------------------|

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN: TECHNICAL SERVICES DIRECTORATE

KEY PERFORMANCE AREA - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

| PRIORITY AREA        | IDP OBJECTIVE  | IDP STRATEGY  | INDICATOR   | BASELINE                                | WEIGHT | MEASUREMENT SOURCE | BUDGET AMOUNT   | FUNDING SOURCE                                   | ANNUAL TARGET                                     | ACHIEVED / PARTLY ACHIEVED / NOT ACHIEVED | REASONS FOR NON ACHIEVEMENT  | REMEDIAL ACTION                                      | CUSTODIAN                   |
|----------------------|--|---|---|---|--------|--------------------|-----------------|--|---|---|--|--|-----------------------------|
| Water and Sanitation | To provide water and sanitation services to the urban and rural communities within the municipal area in line with the RDP requirements by June 2017 | Implementation of water operations and maintenance plan (WSP Business Plan)   | Customer Satisfaction Surveys ( <i>Water</i> )                            | Approved Budget and Business plan       | 10     | Progress reports   | R 99 885 567.00 | Municipal Funds - Operation & Maintenance        | Development of Operation & Maintenance Plan       | Not Achieved                              | Development of the rural maintenance plan in process   | The function is now performed by CHDM                | Director Technical Services |
|                      |  |   | Reduction statistics from the district municipality ( <i>Sanitation</i> ) | Approved Budget and Business plan       | 10     | Progress reports   |                 | Municipal Funds - Operation & Maintenance        | Development , Approval and implementation of WSDP | Not Achieved                              | Development of the rural maintenance plan in process   | The function is now performed by CHDM                | Director Technical Services |
| Roads Maintenance    | To maintain and/or upgrade at least 25km of road surface (Tar + Gravel)  | Effective utilization of the 3 roads unit teams to maintain all gravel roads.<br><i>Appoint Contractor to provide service and purchase own Plant.</i> | <i>Number of kilometres completed</i>                                     | Approved Budget and Implementation plan | 15     | Progress reports   | R22,000,000     | Municipal Infrastructure Grant + Municipal Funds | 25km  | Partly Achieved                           | <i>Only 6.3km done from 8.5km earmarked for 1st, 2nd, 3rd &amp; 4th quarter. The project was under budgeted for.</i> | No. of kms will be determined by budget availability | Director Technical Services |

|  |  |   |   |                                 |    |                   |   |                                |   |              |   |  |                             |
|--|--|---|---|---------------------------------|----|-------------------|---|--------------------------------|---|--------------|---|--|-----------------------------|
| Electricity  | To facilitate supply of electricity of 2% of households by June 2014   | To develop a 100% database of h/h without electricity | Database  | 0%                              | 20 | Database File     | R 1 000.00                                | Ops & Maintenance budget       | 100% Completed<br>File handed over to Eskom                                     | Achieved     | None (Eskom has been given the info)  | Follow up engagement to be done with Eskom   | Director Technical Services |
| Infrastructure Development                               | To maintain 540km of gravel road network in the rural areas by June 2017   | Development and Implementation of a 5 year plan       | Number of kilometres completed                                  | Approved MIG Business Plan      | 40 | Km Completed      | 4,055,520                                 | Municipal Infrastructure Grant | 81km  | Not Achieved | Only 45km done from 50km earmarked for 1st, 2nd, 3rd & 4th quarter.No documentation ws kept due to lack of capacity | The appointment of the civil engineering manager be fast tracked for monitoring and evaluation of roads projects                               | Director Technical Services |
| Mechanical Workshop                                      | To provide a full maintenance repair and service function to the entire municipal fleet through the mechanical workshop by June 2017 | Develop a mechanical workshop capacitation plan       | Full implementation of the mechanical workshop maintenance plan | Monthly Fleet Management report | 5  | Progress reports  | To be negotiated during adjustment budget | Municipal Funds                | Development, and Approval of maintenance plan & to construct new workshop area. | Not Achieved | No budget was allocated   | Approval and implementation of the fleet management policy. Budget be allocated for maintenance of vehicles that are no longer under guarantee | Director Technical Services |
| <b>KEY PERFORMANCE AREA - LOCAL ECONOMIC DEVELOPMENT</b> |  |   |   |                                 |    |                   |   |                                |   |              |   |  |                             |
| Agriculture  | To ensure agricultural development of the municipal area by June 2017  | To develop infrastructure for livestock improvement   |   |                                 |    | Quarterly reports | R 1,600,000                               | Z MIG                          | Vibrant agricultural sector with consultations and annual programmes            | Achieved     |   |  | Director Technical Services |

|                  |   |   |  |  |  |                   |  |              |                                      |              |   |  |                             |
|------------------|---|---|--|--|--|-------------------|--|--------------|--------------------------------------|--------------|---|--|-----------------------------|
| SMME Development | To ensure participation of SMME's in the economic activities of the region by June 2017 | To provide support to Hawkers in-line with the approved informal trading policy |  |  |  | Quarterly reports |  | Thina Sinako | Annual support programme for Hawkers | Not Achieved | The end user wanted to change the nd scope specifications. This caused delays to the project. |  | Director Technical Services |
|------------------|---|---|--|--|--|-------------------|--|--------------|--------------------------------------|--------------|---|--|-----------------------------|

**KEY PERFORMANCE AREA - GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

|                |  |  |   |     |  |                   |  |                                      |  |                    |  |  |                             |
|----------------|--|--|---|-----|--|-------------------|--|--------------------------------------|--|--------------------|--|--|-----------------------------|
| Internal Audit | To ensure that the municipality adheres and complies with all municipal laws and regulation by June 2017 | Develop internal controls and compliance checklist | Compliance reports developed and submitted to various departments | Nil |  | Quarterly Reports |  | Equitable Share / Operational Budget | Full implementation of the internal controls | Partially Achieved | Technical Services has cooperated with Internal Audit section to implement all controll measures identified by them. Identification of controll measures is ongoing. |  | Director Technical Services |
|----------------|--|--|---|-----|--|-------------------|--|--------------------------------------|--|--------------------|--|--|-----------------------------|

|                 |  |  |  |                                       |  |                               |  |                                      |  |                    |  |  |                             |
|-----------------|--|--|--|---------------------------------------|--|-------------------------------|--|--------------------------------------|--|--------------------|--|--|-----------------------------|
| Risk Management | To ensure that the institution managed its risks to ensure effective service delivery by June 2017 | Development and implementation of risk management plan |  | Draft risk management plan and policy |  | Monthly and quarterly reports |  | Equitable Share / Operational Budget | Development, workshopping and implementation of the risk management plan | Partially Achieved | Technical Services has concentrated on the risks in terms of the OSH Act in conjunction with the Safety Officer. |  | Director Technical Services |
|-----------------|--|--|--|---------------------------------------|--|-------------------------------|--|--------------------------------------|--|--------------------|--|--|-----------------------------|

**KEY PERFORMANCE AREA - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

|  |  |  |                                    |  |                            |  |                                      |   |          |  |  |                             |
|--|--|--|------------------------------------|--|----------------------------|--|--------------------------------------|---|----------|--|--|-----------------------------|
| To improve municipal planning processes with the aim of developing credible IDP and Budget by adhering to legislative prescripts and policies by June 2017 | Annual review of the municipal IDP     | Approved Reviewed IDP  | Approved IDP 2012 / 2017           |  | IDP Implementation reports |  | Equitable share                      | Approved of the Reviewed IDP (2nd Review) 2014 / 2015 | Achieved |  |  | Director Technical Services |
|  | Establishment of IDP Review Committees | Implementation of the approved IDP Framework and Review Process Plan | Approved IDP Framework 2012 / 2017 |  | Quarterly Reports          |  | Equitable Share / Operational Budget | Full Implementation of the adopted IDP Framework      | Achieved |  |  | Director Technical Services |

|                               |  |  |  |  |                               |                               |                                      |  |  |          |                             |                             |
|-------------------------------|--|--|--|--|-------------------------------|-------------------------------|--------------------------------------|--|--|----------|-----------------------------|-----------------------------|
| Performance Management System | To manage institutional performance by developing and implementing an approved PMS Framework and Policy by June 2017 | Monitor, evaluate and review municipal performance by adhering to legislative prescripts and policies for full implementation of performance management system | Approved PMS Framework                           | Approved Performance Management System Framework |                               | Quarterly Performance Reports |                                      | Equitable Share                                  | Development, approval and implementation of the Service Delivery and Budget Implementation Plans | Achieved |                             | Director Technical Services |
|                               | Establishment of PMS Committees  | Quarterly performance reports developed and assessed   | Approved Performance Management System Framework |  | Quarterly Performance Reports |                               | Equitable Share / Operational Budget | Full Implementation of the adopted PMS Framework | Achieved   |          | Director Technical Services |                             |



3.24 EXECUTIVE AND COUNCIL

3.25 FINANCIAL SERVICES

3.26 HUMAN RESOURCE SERVICES

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES



## **COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD**

### **CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)**

#### **COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL**

- 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES
- COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE
- 4.2 POLICIES
- 4.3 INJURIES, SICKNESS AND SUSPENSIONS
- 4.4 PERFORMANCE REWARDS

#### **COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

- 4.5 SKILLS DEVELOPMENT AND TRAINING

#### **COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

- 4.6 EMPLOYEE EXPENDITURE

### **CHAPTER 5 – FINANCIAL PERFORMANCE**

This chapter contains information regarding financial performance and highlights specific accomplishments.

#### **COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE**

- 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

- 5.2 GRANTS
- 5.3 ASSET MANAGEMENT
- 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

- 5.5 CAPITAL EXPENDITURE
- 5.6 SOURCES OF FINANCE
- 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS
- 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

- 5.9 CASH FLOW
- 5.10 BORROWING AND INVESTMENTS
- 5.11 PUBLIC PRIVATE PARTNERSHIPS

## COMPONENT D: OTHER FINANCIAL MATTERS

- 5.12 SUPPLY CHAIN MANAGEMENT
- 5.13 GRAP COMPLIANCE

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

- 6.1 AUDITOR GENERAL REPORTS Year -1 (Previous year)

## **COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)**

### **6.2 AUDITOR GENERAL REPORT YEAR 0**

#### **REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND COUNCIL ON THE LUKHANJI LOCAL MUNICIPALITY**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Introduction**

1. I was engaged to audit the financial statements of the Lukhanji Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison with budget for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

##### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (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 these 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. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

##### **Basis for disclaimer of opinion**

##### **Property, plant and equipment**

4. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to the following matters:
  - The municipality did not review the useful lives, residual values and deemed costs of property, plant and equipment in accordance with GRAP 17: *Property, plant and equipment* and directive 7: *The application of deemed costs on the adoption of standards of GRAP*.
  - Assets could not be physically located during the audit due to the lack of information in the municipality's asset register.
  - Details for land and buildings did not correspond to the register and I could not confirm that all municipal properties were included.
5. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments were required to property, plant and equipment of R682,5 million (2013: R639,7 million) as disclosed in the statement of financial position and note 11 or depreciation and amortisation disclosed in the statement of financial performance.
6. The entity did not account for its property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment* in the following instances:
  - The value of land and buildings did not correspond to the valuation certificates.
  - Management did not record all assets in the register and financial statements.
  - The municipality did not include a reconciliation for property, plant and equipment in the notes to the financial statements.
7. Consequently, property, plant and equipment as disclosed in the statement of financial position and note 11 is understated by R44,9 million (2013: R2,7 million), accumulated surplus as disclosed in the statement of financial position is understated by R17,1 million (2013: R2,7 million), expenditure as disclosed in the statement of financial performance is overstated by R33,4 million, depreciation and loss on disposal as disclosed in the statement of financial performance are understated by R1,7 million and R3,9 million respectively.

### **Investment property**

8. I was unable to obtain sufficient appropriate audit evidence for investment property due to the following matters:
  - Properties could not be physically located as the municipality did not prepare a register that was fully compliant with the requirements of GRAP 16: *Investment property*.
  - Ownership of properties included on the register could not be confirmed.
  - Details for properties did not correspond to the register and I could not confirm that all municipal properties were included.

9. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments were required to investment property of R153,5 million (2013: R125,1 million) as disclosed in the statement of financial position and note 12 to the financial statements.
10. The municipality did not adequately assess the fair value of all its land and buildings at each reporting date in accordance with GRAP 16: *Investment property* and differences were identified between the valuation certificates and the recorded values.
11. Consequently, investment property as disclosed in the statement of financial position and note 12, the fair value adjustment as disclosed in the statement of financial performance and accumulated surplus as disclosed in the statement of financial position are overstated by R38,4 million (2013: R9,4 million), R28,9 million (2013: R9,4 million) and R9,5 million respectively.

#### **Value-added tax receivable**

12. I was unable to obtain sufficient appropriate audit evidence for the value-added tax (VAT) receivable due to the following matters:
  - Evidence was not available to clear reconciling differences between the South African Revenue Service (SARS) records and municipal records.
  - Evidence was not available for journal adjustments processed.
13. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to VAT of R27,1 million (2013: R14,2 million) as disclosed in note 10 to the financial statements were necessary.
14. The municipality did not adequately account for output VAT transactions. Consequently, the VAT receivable as disclosed in the statement of financial position and note 10 to the financial statements is understated and expenditure as disclosed in the statement of financial performance is overstated by R5,5 million.

#### **Accumulated surplus**

15. Sufficient appropriate audit evidence was not obtained to confirm adjustments made to the opening balance in the statement of changes in net assets for all errors identified in the previous and other financial years. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments to the accumulated surplus of R908,9 million (2013: R864,2 million) as disclosed in the statement of changes in net assets and statement of financial position were necessary.

#### **Prior period error note**

16. Sufficient appropriate audit evidence was not submitted to support the correction of errors as disclosed in note 41 to the financial statements. I was unable to confirm the

disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the correction of errors disclosure note.

17. *The municipality* did not disclose the nature of the correction of error for each correction in accordance with GRAP 3: *Accounting policies, changes in accounting estimates and errors in note 41 to the financial statements*. Consequently, the financial statements have not been prepared in accordance with all the requirements of the standard.

### **Debt impairment**

18. I was unable to obtain sufficient appropriate audit evidence for the debt impairment due to the following matters:
  - Management processed system journals which could not be supported with a detailed listing of accounts impaired.
  - Management could not provide a detailed basis for the calculation of debt impairment journals.
19. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments relating to debt impairment of R77,4 million (2013: R74,1 million) as disclosed in the statement of financial performance and note 32 to the financial statements were necessary.
20. The municipality did not reconcile the listing of bad debts to the financial statements and, consequently, debt impairment as disclosed in the statement of financial performance and note 32 is overstated and receivables from exchange transactions as disclosed in the statement of financial position are understated by R5,6 million.

### **Unauthorised expenditure**

21. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure as management does not have appropriate systems to identify this expenditure.
22. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments to unauthorised expenditure of R2,9 million (2013: R60,2 million) as disclosed in note 46.1 to the financial statements were necessary.
23. Management does not have appropriate systems to identify this expenditure and, consequently, R27,1 million of unauthorised expenditure that was detected during the audit process was not disclosed in note 46.1.

### **Irregular expenditure**

24. I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure as management does not have appropriate systems to identify this expenditure.



25. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments to irregular expenditure of R41,5 million (2013: R40,6 million) as disclosed in note 46.3 were necessary.
26. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125(2)(d)(i). Consequently, the irregular expenditure disclosed in note 46.3 to the financial statements is understated in respect of amounts incurred during the year that were identified during the audit process of R57 million.

#### **Cash flow statement**

27. I was unable to obtain sufficient appropriate audit evidence for the cash flow statement for the current and corresponding amounts due to a lack of sufficient appropriate audit evidence, including management workings for loans repaid, new loans raised and cash generated by operations as disclosed in the cash flow statement and note 42. GRAP 2: *Cash flow statements* requires the presentation of a cash flow statement summarising the entity's operating, investing and financing activities. I could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the cash flow statement.

#### **Discontinued operations**

28. I was unable to obtain sufficient appropriate audit evidence for the disclosure of discontinued operations. The municipality transferred its water operations to the Chris Hani District Municipality after the financial year-end. GRAP 100: *Non-current assets held for sale* requires that the information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposal of non-current assets (or disposal groups) should be presented and disclosed. No disclosure of this has been made in note 21 to the financial statements. Adequate records to substantiate the affected revenue, expenditure, assets and liabilities were not available to determine the amounts to be disclosed. I was unable to confirm the amounts to be disclosed by alternative means. Consequently, I was unable to determine the full extent of the understatement.

#### **Material losses**

29. I was unable to obtain sufficient appropriate audit evidence relating to material losses for the current and corresponding amounts due to the following matters:
- Management did not have appropriate systems to collect the information required for the disclosure as required by section 125(2)(d)(i) of the MFMA.
  - Management did not prepare a reconciliation between the financial system and other data.
30. I was unable to confirm this disclosure by alternative means. Consequently, I was unable to determine whether any adjustments relating to material losses as disclosed in note 46.4 to the financial statements were necessary.

### **Receivables from exchange transactions**

31. I was unable to obtain sufficient appropriate audit evidence relating to receivables from exchange transactions due to the following matters:
- Information to support debtor balances was not available.
  - The impairment allowance was not supported by a detailed listing of impaired receivables.
32. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any further adjustments relating to receivables from exchange transactions of R20 million (2013: R15,2 million) as disclosed in the statement of financial position and note 17 to the financial statements were necessary.
33. System errors led to the misclassification between the receivables from exchange transactions and non-exchange transactions and consequently receivables from exchange transactions as disclosed in the statement of financial position and note 17 are overstated by R7,9 million (2013: R24,9 million understated), receivables from non-exchange transactions as disclosed in the statement of financial position and note 18 are understated by R7,6 million and accumulated surplus as disclosed in the statement of financial position is overstated by R301 132 (2013: R24,9 million understated).

### **Employee-related costs**

34. I was unable to obtain sufficient appropriate audit evidence relating to employee costs due to the inadequacy of the municipality's employee record management system.
35. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments to employee-related costs amounting to R139,2 million (2013: R104,9 million) disclosed in the statement of financial performance and note 30 to the financial statements were necessary.
36. The municipality made calculation errors on wages and consequently employee costs as disclosed in the statement of financial performance and note 30 is overstated and receivables from exchange transactions as disclosed in the statement of financial position are understated by R2,8 million.

### **Payables from exchange transactions**

37. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the following matters:
- The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid for at year-end.
  - The municipality did not maintain adequate leave records.
38. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments to payables from exchange transactions of R62,5 million (2013: R37,6 million) as disclosed the statement of financial position and note 8 to the financial statements were necessary.

39. The municipality did not include all outstanding amounts meeting the definition of a liability as per GRAP 1: *Presentation of financial statements* in the financial statements. Consequently, trade payables from exchange transactions as disclosed in the statement of financial position and note 8 to the financial statements is understated by R15,9 million and expenditure as disclosed in the statement of financial performance is understated by the same amount. In addition, the municipality did not process all leave transactions during the year and consequently staff leave as disclosed in note 8 to the financial statements and employee costs as disclosed in the statement of financial performance is overstated by R11,1 million (2013: R8,8 million).

#### **Receivables from non-exchange transactions**

40. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to the following matters:
- Information to support debtor balances was not available.
  - The impairment allowance was not supported by a detailed listing of impaired receivables.
41. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments relating to receivables from non-exchange transactions of R54,1 million (2013: R26,7 million) as disclosed in the statement of financial position and note 18 to the financial statements were necessary.
42. The municipality did not account for all of its revenue and consequently the corresponding amounts for receivables from non-exchange transactions as disclosed in the statement of financial position, revenue from non-exchange transactions as disclosed in the statement of financial performance and payables from exchange transactions as disclosed in the statement of financial position are understated by R46,5 million, R41,8 million and R4,7 million, respectively.

#### **General expenditure**

43. I was unable to obtain sufficient appropriate audit evidence for general expenditure such as orders, requisitions, agreements and explanations. I was unable to confirm this expenditure by an alternative means. Consequently, I was unable to determine whether any adjustments to general expenditure of R97,5 million (2013: R75,3 million) as disclosed in the statement of financial performance and note 40 to the financial statements were necessary.
44. The amount of R46,2 million (2013: R30 million) reflected for delegated management which is part of general expenditure in note 40 is overstated by R42,5 million (2013: R25,7 million), bulk purchases in the statement of financial performance are understated by R42,5 million (2013: R25,2 million) and revenue from exchange transactions corresponding amount as disclosed in the statement of financial performance is overstated by R558 065. Furthermore, general expenditure as disclosed in the statement of financial performance is overstated and receivables from exchange transactions as disclosed in the statement of financial position is understated by R3,3 million.

## **Statement of comparison of budgets to actual amounts**

45. The municipality did not present the statement of comparison of budget and actual amounts in accordance with GRAP 24: *Presentation of budget information in financial statements, as follows:*

- *The actual amounts per the statement of comparison of budget do not agree to the amounts in the statement of financial position, performance and cash flow statement, which in addition has resulted in inaccurate variances being reported.*
- *The budget and adjusted budget amounts per the statement of comparison of budget to actual do not agree to the approved budget and adjusted budget.*
- *The statement of comparison of budget and actual amounts does not include explanations for all variances or adjustments constituting more than material differences as stated in the accounting policy. Consequently, the financial statements have not been prepared in accordance with all the requirements of the standard.*

## **Financial instruments**

46. Financial instrument disclosure required by GRAP 104: *Financial instruments* have not been included in note 50 to the financial statements. Due to the lack of systems I was unable to confirm the disclosure by alternative means. It was not practical to determine the full extent of the understatement. Consequently, I was unable to determine whether any further adjustments were necessary to the financial instruments disclosure note.

## **Revenue from exchange transactions uncorrected corresponding figure**

47. I was unable to obtain sufficient appropriate audit evidence for the corresponding amount for revenue from exchange transactions due to the following matters:

- The *underlying* accounting records for revenue transactions as recorded in the accounting system could not be reconciled to the general ledger and financial statements.
- Management could not provide audit evidence to substantiate these differences.

48. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any further adjustments relating to the corresponding amount for revenue from exchange transactions of R270,9 million as disclosed in the statement of financial performance and notes 25, 26, 27, 28 and 29 to the financial statements were necessary. My opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

## **Revenue from non-exchange transactions uncorrected corresponding figure**

49. I was unable to obtain sufficient appropriate audit evidence for the corresponding amount for revenue from exchange transactions due to the following matters:

- The underlying accounting records for property rates, government grants and subsidies as recorded in the accounting system could not be reconciled to the general ledger and financial statements.
  - Management could not provide audit evidence to substantiate these differences.
50. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any further adjustments relating to the corresponding amount for revenue from non-exchange transactions of R240,8 million as disclosed in the statement of financial performance and notes 22, 23, and 24 to the financial statements were necessary. My opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

#### **Cash and cash equivalents uncorrected corresponding figure**

51. I was unable to obtain sufficient appropriate audit evidence for the corresponding amount for cash and cash equivalents due to the following matters:
- Evidence to clear reconciling items and errors found in the prior financial year was not available.
  - Not all bank accounts were reconciled by the municipality.
52. I was unable to obtain the required evidence through alternative means. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents of R174,3 million for the corresponding figures as disclosed in note 20 to the financial statements were necessary. My opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

#### **Aggregation of immaterial uncorrected misstatements in corresponding figures**

53. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the corresponding amounts in the statement of financial performance and disclosure in the financial statements:
- Contingencies as disclosed in the corresponding amount in note 54 to the financial statements are understated by R4,9 million.
54. In addition, I was unable to obtain sufficient appropriate audit evidence due to individually immaterial amounts that were unsubstantiated and I was unable to determine or confirm by alternative means whether adjustments were required:
- Repairs and maintenance disclosed in the corresponding amount in note 35 to the financial statements and the statement of financial performance.
  - Contracted services expenditure disclosed in the corresponding amount in note 38 to the financial statements and the statement of financial performance.

- Bulk purchases disclosed in the corresponding amount in note 37 to the financial statements and the statement of financial performance.
- Commitments disclosed in the corresponding amount in note 48 to the financial statements.

55. My opinion has been modified because of the possible effects of the unresolved matters on the comparability of the current year's figures and the corresponding figures.

#### **Disclaimer of opinion**

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

#### **Emphasis of matters**

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

#### **Restatement of corresponding figures**

58. As disclosed in the statement of changes in net assets, the corresponding figures for 30 June 2013 have been restated as a result of errors only corrected during the year ended 30 June 2014 that existed in the financial statements at, and for the year ended 30 June 2013.

#### **Material impairments**

59. Disclosed in note 32 to the financial statements is an amount R77,4 million (2013: R74,1 million) for debt that has been impaired as a result of non-payment of consumer debtor accounts.

#### **Additional matters**

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

#### **Unaudited supplementary schedules**

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

#### **Unaudited disclosure notes**

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

opinion thereon.

### **Withdrawal from the audit engagement**

63. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of the ISAs.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

64. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

#### **Predetermined objectives**

65. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Key performance area: Basic service and infrastructure development (on pages x to x)
- Key performance area: Local economic development (on pages x to x).

66. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

67. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

68. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

69. The material findings in respect of the selected key performance areas are as follows:

#### **Basic services and infrastructure development**

### **Usefulness of reported performance information**

70. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires actual achievements against all planned indicators and targets to be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 57% of all planned objectives specified in the integrated development plan (IDP) for the year under review. This was due to a lack of information systems recording and documenting actual achievements against targets and a lack of review of the completeness of reporting documents by management and the internal audit unit.
71. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the development priorities, objectives, indicators and targets in the annual performance report without following the process as prescribed in section 28 of the MFMA and or without adoption by the municipal council. This was as a result of management not developing appropriate measures to monitor compliance with applicable law and regulations. Management has also not created and implemented action plans that address deficiencies identified by external auditors.
72. The FMPPI requires the following:
- Performance targets must be specific in clearly identifying the nature and required level of performance and must be measurable, and the period or deadline for delivery of targets must be specified.
  - Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable. The measurability of planned targets and indicators could not be assessed due to a lack of technical indicator descriptions and proper systems and processes and formal standard operating procedures or documented system descriptions.
73. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 46% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the five-year IDP. This was because proper performance planning and management practices had not been implemented to provide for the development of performance indicators and targets included in the IDP.

### **Reliability of reported performance information**

74. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of



actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information.

### **Additional matters**

75. I draw attention to the following matters. My conclusion is not modified in respect of these matters:

### **Achievement of planned targets**

76. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the disclaimer of conclusions expressed on usefulness and reliability of the reported performance information in paragraphs xx of this report.

### **Unaudited supplementary information**

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

### **Local economic development**

### **Usefulness of reported performance information**

78. Section 41(c) of the MSA requires actual achievements against all planned indicators and targets to be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 58% of all planned objectives, 100% of all planned indicators and 83% of all planned targets specified in the IDP for the year under review. This was due to a lack of information systems recording and documenting actual achievements against targets and a lack of review of the completeness of reporting documents by management and the internal audit unit.

79. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the development objectives, indicators and targets in the annual performance report without following the process as prescribed in section 28 of the MFMA and or without adoption by the municipal council. This was as a result of management not developing appropriate measures to monitor compliance with applicable law and regulations. Management has also not created and implemented action plans that address deficiencies identified by external auditors.

80. The FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance and must be measurable, and the period or deadline for delivery of targets must be specified.
- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable. The measurability of planned targets and indicators could not be assessed due to a lack of technical indicator descriptions and proper systems and processes and formal standard operating procedures or documented system descriptions.

81. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. The relevance of the indicators could not be assessed due to a lack of corroborative supporting evidence to verify management's explanation for why the indicators were considered important and relevant to the realisation of strategic goals and objectives.

#### **Reliability of reported performance information**

82. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information.

#### **Additional matters**

83. I draw attention to the following matters. My conclusion is not modified in respect of these matters:

#### **Achievement of planned targets**

84. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the disclaimer of conclusions expressed on usefulness and reliability of the reported performance information in paragraphs xx of this report.

#### **Unaudited supplementary information**

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

#### **Compliance with legislation**

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

### **Strategic and performance management**

87. Sufficient appropriate audit evidence could not be obtained that the local community was consulted by means of a municipal-wide structure for community participation or through a forum that enhances community participation in drafting and implementing the IDP, as required by section 28 of the MSA and municipal planning and performance management regulation 15(1)(a)(i).

88. The adopted IDP did not reflect and identify a financial plan and the key performance indicators and targets, as required by sections 26 and 41 of the MSA, as well as municipal planning and performance management regulation 2(1)(c).

89. Sufficient appropriate audit evidence could not be obtained that the local community was afforded the opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulations 9, 13(1), 13(4)(c) and 15(3).

90. The municipality did not give effect to its IDP and conduct its affairs in a manner which was consistent with its IDP, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and municipal planning and performance management regulation 6.

91. The IDP was not annually reviewed based on the assessment of its performance measurements and changing circumstances, as required by section 34 of the MSA and municipal planning and performance management regulations 3 and 11.

92. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

93. The performance management system was not in line with the priorities, objectives, indicators and targets contained in the IDP and did not clarify the roles and responsibilities of each role player. Furthermore, it did not determine the frequency of reporting and the lines of accountability and relate to the employee's performance management processes. It also did not link to the integrated development planning processes, as required by section 38(a) of the MSA and municipal planning and performance management regulation 7(2)(c), (e), (f) and (g).

94. The performance management system did not provide for the monitoring, measuring and review of performance at least once per year, as required by section 41 of the MSA. It also did not provide for steps of improvement where performance targets were not met, as required by section 41(1)(d) of the MSA.

95. The municipality did not establish mechanisms to monitor and review its performance

management system, as required by section 40 of the MSA.

96. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and municipal planning and performance management regulations 1 and 9(1)(a).
97. Measurable performance targets for the financial year with regard to each of the development priorities or objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1) and 12(2)(e).
98. Sufficient appropriate audit evidence could not be obtained that revisions of the service delivery and budget implementation plan were approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.
99. The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
100. The annual performance report for the year under review did not include the performance of the municipality and a comparison of the performance with set targets, a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(a), (b) and (c) of the MSA.
101. Annual performance agreements for the municipal manager and all senior managers linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan were not signed as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.
102. The performance management system and related controls were not in place as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role players, as required by section 38 of the MSA and municipal planning and performance management regulation 7.

#### **Annual financial statements, performance and annual reports**

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

105. An oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2012-13 annual report was tabled, as required by section 129(1) of the MFMA.

106. The council's oversight report on the 2013-14 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

### **Budget**

107. Expenditure was not incurred in accordance with the approved budget or was in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

### **Audit committee**

108. Sufficient appropriate audit evidence could not be obtained that the audit committee advised the council and accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management, performance evaluation, the adequacy, the reliability and accuracy of financial reporting and information and compliance with legislation as required by section 166(2)(a), (iv) and (vii) of the MFMA. Sufficient appropriate audit evidence could not be obtained that it responded to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.

109. Sufficient appropriate audit evidence could not be obtained that the audit committee reviewed the municipality's performance management system and made recommendations to the council, as required by municipal planning and performance management regulation 14(4)(a)(ii). It also did not review all the quarterly internal audit reports on performance measurement, as required by municipal planning and performance management regulation 14(4)(a)(i). Furthermore, sufficient appropriate audit evidence could not be obtained that it submitted, 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). It was also not constituted in the manner required by section 166(4)(a) of the MFMA as the committee did not consist of at least three persons with appropriate experience. Sufficient appropriate audit evidence could not be obtained that it met at least four times a year, as required by section 166(4)(b) of the MFMA.

### **Internal audit**

110. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review. It also did not report to the audit committee on the implementation of the internal audit plan. Furthermore, it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

111. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

#### **Expenditure management**

112. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

113. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.

114. An adequate management, accounting and information system which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made was not in place, as required by section 65(2)(b) of the MFMA.

115. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

#### **Asset management**

116. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

117. An effective system of internal control for assets (including an appropriate asset register) was not in place, as required by section 63(2)(c) of the MFMA.

#### **Liability management**

118. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.

119. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

#### **Revenue management**

120. A credit control and debt-collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

121. An adequate management, accounting and information system which accounts for debtors was not in place, as required by section 64(2)(e) of the MFMA.

122. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the MFMA.

#### **Procurement and contract management**

123. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by SCM regulation 17(a) and (c).

124. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were not drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).
125. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality, as required by SCM regulation 27(3).
126. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM regulation 28(2).
127. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by SCM regulations 21(b) and 28(1)(a) and the *Preferential procurement regulations*.
128. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
129. Awards were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
130. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and SCM regulation 28(1)(a).
131. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
132. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to and quotations were accepted from to bidders who scored the highest points in the evaluation process, as required by of section 2(1)(f) of the PPPFA.
133. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to and quotations were accepted from bidders who had submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
134. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act, 2000 (Act No. 38, 2000) (CIDB) and CIDB regulation 18.
135. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

136. Awards were made to providers who are in the service of other state institutions or whose directors or principal shareholders are in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
137. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from providers whose tax matters had been declared by SARS to be in order, as required by SCM regulation 43.

#### **Human resource management**

138. An acting municipal manager and chief financial officer were appointed for a period of more than three months without the approval by the member of the executive council (MEC) for local government, in contravention of sections 54A(2A) and 56(1)(c) of the MSA.
139. The competencies of financial and supply chain management officials were not assessed in a timely manner to identify and address gaps in competency levels, as required by the regulation 13 of the *Municipal regulations on minimum competency levels*.
140. 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 regulation 14(2)(a) of the *Regulations on minimum competency levels*.
141. The accounting officer, chief financial officer, senior managers and finance officials at middle management did not meet any of the prescribed competency areas as required by section 83 of the MFMA and regulations 2 to 9 of the *Municipal regulations on minimum competency levels*.
142. The municipality did not develop and adopt appropriate systems, policies and procedures to monitor, measure and evaluate performance of staff, in contravention of section 67(d) of the MSA.
143. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) of the MSA.

#### **Conditional grants**

144. The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant (MIG), Municipal Systems Improvement Grant (MSIG) and Local Government Financial Management Grant (FMG) allocation, as required by section 12(5) of DoRA.
145. The MSIG allocation was not spent in accordance with the applicable grant framework, in contravention of section 16(1) of DoRA.

#### **Consequence management**



146. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
147. The accounting officer and council did not always report to the South African Police Service cases of alleged irregular expenditure that constituted a criminal offence, as required by section 32(6) of the MFMA.
148. Allegations of fraud, corruption, favouritism, unfair or irregular practice and failure to comply with the SCM system made against officials and role players were not investigated by the accounting officer, as required by municipal SCM regulation 38(1)(b).
149. Allegations of theft, fraud, extortion, forgery and uttering a forged document which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) (PCCAA).
150. The accounting officer did not always report cases of alleged criminal conduct to the South African Police Service, as required by municipal SCM regulation 28(1)(b).
151. Allegations of financial misconduct against senior managers were not always tabled before council, as required by regulation 5(2) of the *Disciplinary regulations for senior managers*.
152. Cases of financial misconduct by senior managers, which constituted a crime, were not always reported to the South African Police Service, as required by section 62(1)(e) of the MFMA.
153. Investigations were not conducted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA.
154. Disciplinary proceedings were not instituted against officials of the municipality when investigations warranted such a step, as required by section 171(4)(b) of the MFMA.
155. Cases of financial misconduct which constituted a crime were not always reported to the South African Police Service, as required by section 62(1)(e) of the MFMA.

### **Internal control**

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

### **Leadership**

157. Leadership did not fulfil its oversight responsibilities with regard to the implementation and monitoring of internal controls and compliance with laws and regulations and did not insist on daily disciplines to ensure sound financial and performance management

and compliance with laws and regulations. No consequence management was applied for past transgressions and poor performance of employees.

158. Sufficient attention was not given to the revision of the organogram and filling of critical vacancies to ensure sufficient capacity to address the ongoing control deficiencies. This impacted negatively on the effectiveness of leadership and undermined accountability.
159. The revision of policies, including the IT governance framework, has not been prioritised, which has resulted in a lack of improvement in the overall control assessment.
160. Leadership did not implement the action plan in time to have a meaningful impact on the control environment. It was also not monitored by the oversight bodies to ensure that action was taken.
161. There has been a slow response to the messages of the auditor-general and as a result there are numerous repeat findings that were not effectively dealt with by management during the year.

#### **Financial and performance management**

162. The lack of record management and daily financial disciplines continues to have a negative effect on the financial administration of the municipality. The municipality did not have adequate skills and competencies and relied on consultants to prepare reconciliations and registers. A number of these were only prepared after the financial year-end which did not allow sufficient time for adequate reviews to take place.
163. Material misstatements across all cycles and components signified a lack of review of transactions and balances at all managerial levels within the municipality, including the inadequacy of detection systems to alert management of control failures.
164. The municipality did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information. This was further evidenced by the lack of reconciliations between IT system-generated reports and amounts disclosed in the financial statements.
165. Inadequate record management practices and inadequate monitoring controls resulted in significant deficiencies in the general control environment. Information submitted for audit did not support the underlying records reported in the performance report. The municipality did not institute regular processes of collecting, collating and reporting on credible information which assisted with decision-making and the direction of the municipality's performance objectives. As a result, sufficient appropriate audit evidence was not obtained for a number of significant components reported in the financial statements and performance report.

#### **Governance**

166. Risk management activities were not sufficient as evidenced by the large number of repeat findings. The municipality also lacked effective risk monitoring processes to ensure that risks identified are appropriately managed.

167. The internal audit function lacked sufficient capacity to function effectively and produce reports during the financial year. This hampered the ability of the audit committee to fulfil their oversight function and other compliance responsibilities in terms of the MFMA.

East London

28 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## GLOSSARY

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