

ENDUMENI LOCAL MUNICIPALITY



ANNUAL REPORT

2018/2019

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Annexure A: Audited 2018/19 Annual Performance Report

Annexure B: Audited 2018/19 Annual Financial Statements

CHAPTER 1: COMPONENT A - MAYOR'S FOREWORD

Foreword by the Mayor

2018/2019 financial year comes with turmoil and almost disaster the history of Endumeni Local Municipality. There was a total collapse of administration and governance which led to Cooperative Governance and Traditional Affairs instituting a forensic investigation into the affairs of the municipality. There were three (3) Mayors in the period under review.

The municipality did not respond with a plan to address all the recommendations by the forensic investigation report presented to Council. The Provincial Government intervened in terms of Section 139 (1) (b) of the Constitution of the Republic of South Africa. MEC appointed a Ministerial Representative to assist the municipality in addressing the findings of the forensic investigation.

All senior manager resigned the last official resigned in June 2019. There were acting officials in all departments, but Council was able to appoint all senior managers including the Municipal Manager. All the senior managers commence in the 2019/2020 financial year with processes starting as early as 2018.

There was a challenge of governance in that committees were not properly structure after the restructuring of Council. A council resigned from the Executive Committee and EXCO was dysfunctional as a result of that resignation. The ward committees were not all functional. There has been a turnaround since June 2019. All governance structures are all functional.

The municipality has elected a Municipal Rapid Response Team comprising of the Speaker as the convener and ward councilors including the SAPS, COGTA and sector departments to address service delivery challenges.

Furthermore, we have embarked on robust public participation processes to enable proper communication channels between the municipality and the rest of the community to mitigate possible eruption of civil unrest for which are at times manifested by lack of proper consultation and feedback platforms.

The municipality is being faced by electricity theft and illegal connection by certain members of the community and the municipality has issued a stern warning that electricity theft is a serious criminal offence and that criminal charges will be levelled against the perpetrators.

Despite all of these challenges we managed to soldier on, and we were able to get an unqualified audit opinion with matters which is a base for an unqualified audit opinion with no matters.

I wish to thank Councilors and Management for the support and dedication to the work that has been done this far and we hope more effort will be put for the years to come to provide our people with basic municipal services.

I thank you!

Cllr SB Mdluli

COMPONENT B- EXECUTIVE SUMMARY

THE MUNICIPAL MANAGER'S OVERVIEW

It is that time of the year where municipalities have to account for the previous year's activities. The year 2018/2019 was not a normal year in that there were challenges with the municipality which led the Provincial Government to intervene and appoint a Ministerial Representative to assist the municipality to function properly. In December 2018, the President of the Republic of South Africa, enacted a Proclamation R35 to investigate fraud and corruption by the Special Investigation Unit at Endumeni Local Municipality. This investigation started in April 2019.

The Ministerial Representative's terms of reference was;

- To prepare and implement a recovery plan to be approved by the Municipal Council;
- Implement governance systems and procedures including oversight over the administration, ratification of decisions taken by the municipal council, the executive committee, committees, municipal manager and section 56 managers, in terms of delegated or original authority;
- Ensure the implementation of findings arising from any investigations into fraud or maladministration or corruption; and
- Ensure implementation of remedial action plans dealing with negative findings from the Auditor General.

Endumeni Local Municipality has four (4) departments namely, Budget and Treasury Office, Technical Services, Corporate Services and Planning and Economic Development. The Office of the Municipal Manager has a staff compliment of over forty (40) people in the Special Programme Unit, Political Support staff, Communication, Public Participation Unit, Internal Unit and the administrative support of the Municipal Manager. The organisational structure will be reviewed for the 2020/2021 financial year to consider a Community Service Department.

The 40 issues in the 2017/2018 audit opinion. There were twenty eight (28) which represents (70%) issues concluded, six (6) which represent (15%) ongoing and six (6) representing (15%) not done. There was a challenge of senior managers who had all

resigned and the municipality was operating with acting senior managers. All senior managers has since been appointed to take the process of finalising the audit action plan forward and finalised them.

The annual financial statement of 2018/2019 was prepared internal without the involvement of the external and was submitted on time to the Auditor General. This happened in the absence of the Chief Financial Officer who had not commenced with his duties.

During the financial in June 2019, the Provincial Government undertook the local government assessment with the aim to determine areas where government can come in to assist municipalities. An action plan was put together and is monitored by COGTA on monthly basis and for that reason the progress reports on issues identified are submitted to both COGTA and Council.

In conclusion, I would like to thank Council of Endumeni Local Municipality, the Hon Mayor, Cllr SB Mdluli, the Deputy Mayor, Cllr MI Nkosi, the Speaker, Cllr LT Khumalo, the Chairperson of the Municipal Public Accounts Committeee, Cllr Xaba, Chairperson of the Audit Committee, Mr Majola, members of the Executive Committee, the Portfolio Committees of Council, Management, the Municipal Public Accounts Committee and the Audit Committee for guidance and the support given to Management and staff of Endumeni Local Municipality during this period, 2018/2019.

Thank You

Mr VM. Kubeka
Acing Municipal Manager

1.1 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.1.1 Introduction

Endumeni Local Municipality Annual Report which comprises of the Annual Performance Report is compiled in terms of section 121 (1) of the Municipal Finance Management Act No. 56 of 2003 and Section 46 of the Municipal Systems Act No. 32 of 2000, which prescribe that a municipality, including its municipal entity, is required to prepare an annual report and an annual performance report for the year under review.

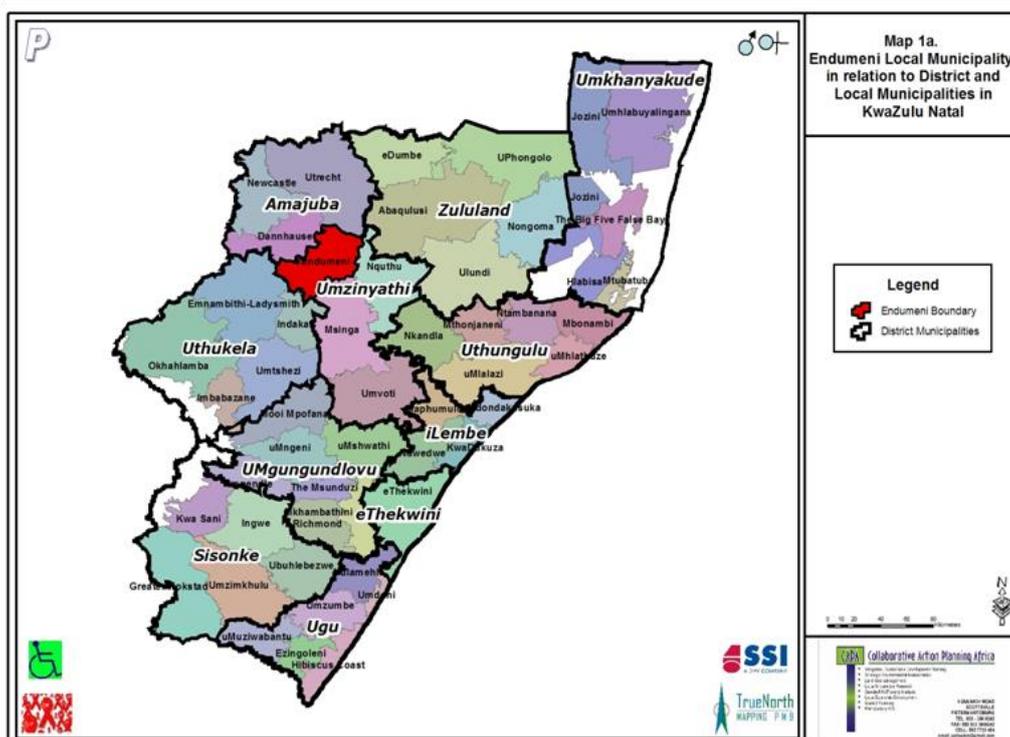
The purpose of the annual report is to provide a record of the activities of the municipality and its municipal entity, and a report on performance against the budget for that financial year with the aim of promoting accountability to the local community for the decisions made by the municipality and its entity. The annual performance report on the other hand reflects the performance of the municipality and its service providers during the financial year, comparison of performances of the current and previous financial years and measures taken to improve performance.

The municipality's 2018/19 annual report provides a true, honest and accurate account of the set performance and financial goals, the extent to which they were met, the resultant successes and the challenges that were experienced in pursuance thereof as well as the recommendations put forward to address the identified shortcomings.

1.1.2 Geographical Area

Endumeni Municipality is located 360 kilometers South East of Johannesburg and 290 kilometers North of Durban. The area is in the Biggarsberg Valley in the foothills of the Drakensberg. The Municipality is generally accessed by turning off the N3 highway onto the N11 then proceeding onto the R68 into the Municipal area.

See Figure 1 below:



Endumeni municipal area is one of four local authorities forming the uMzinyathi District Municipality. The local municipalities comprising the District are:

- Endumeni (KZ 241)
- Nqutu (KZ 242)
- Msinga (KZ 244)
- uMvoti (KZ 245)

Endumeni has the smallest population but the largest economy of the local authorities in the District, focusing as it does on the main urban areas of Dundee and Glencoe. For detailed locality maps of the area and a list of the farms of which the area is comprised, reference should be made to the above-mentioned document.

1.1.3 Demographics Trends and Characteristics

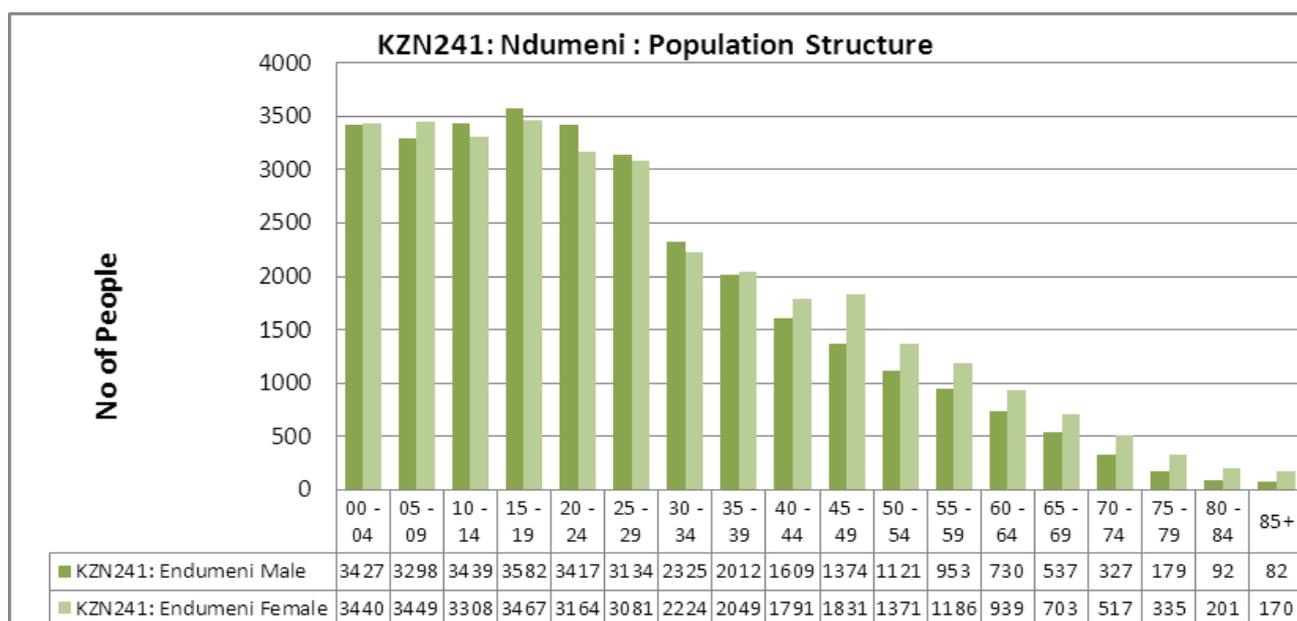
The Endumeni Municipality (KZ 241) comprises the towns of Dundee, Glencoe and Wasbank, together with a number of farms astride MR 33, MR 68 and DR 602. It should be noted that no Ingonyama Trust land is located within the Municipal Area.

(a) Population Size

During Census 2011 the municipality had a population of 64 862 people, which showed an increase from the population of the previous years. Statistics SA survey 2001 estimated that population was 51 101 people. However, it is noted that the population is increasing at a decreasing rate. In 2010 the growth rate was estimated at 1.3% while in 1996 was standing at 2.4%. This decrease in growth can be attributed to various social factors including HIV/AIDS rate and other factors.

The recent Census results indicate that the population of Endumeni has increased to 64 864 people. Females are still in the majority of 33 226.

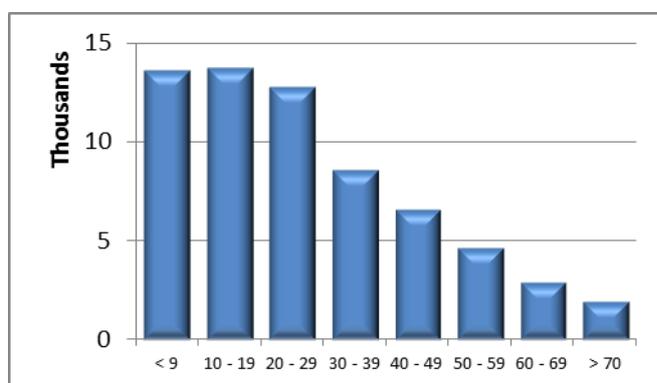
Graph 1 : Population Structure



Source: Statsa 2011

Endumeni has a total number of 16 851 households and Africans enjoy a larger share of these households than any other race. African households account for 80% of the population while other racial groups share the remaining percentage. Compared to 1996 the municipality had 9 600 households. Clearly this increase has put pressure to the municipality to provide necessary infrastructure and associated services.

(b) Age Distribution



AGE (YEARS)	
< 9	13613
10 - 19	13796
20 - 29	12796
30 - 39	8610
40 - 49	6604
50 - 59	4631
60 - 69	2908
> 70	1903

For both the province and the district, over 60% of their populations are under the age of 29 years old. In addition, over 65% of the municipal populations are between the ages of 15 – 64 years old, which indicate that the majority of the population is within the working age bracket. Undoubtedly, this places pressure on the municipal economy to create job opportunities that should absorb ever-increasing labour force. Hence, as the strategy unfolds the need persists to engage private sector partners and influence their investments programme, thereby ensure creation of much needed job opportunities within the economy. Furthermore, the skilling of existing labour is indeed of paramount importance to the municipality.

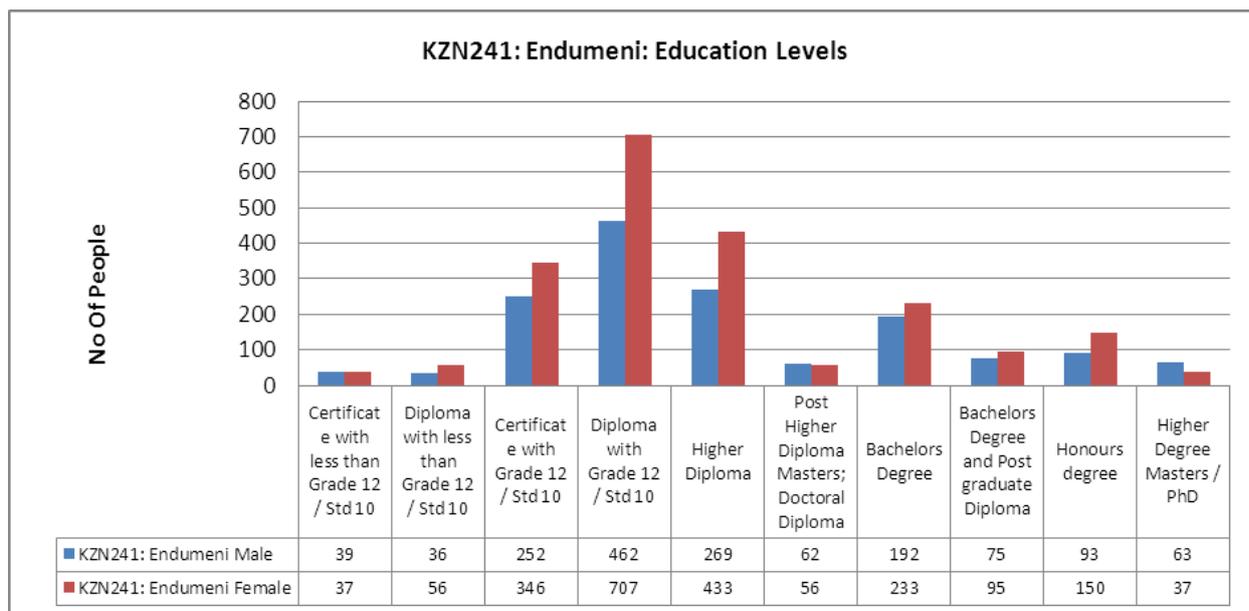
The section below on strategic development alludes to intervention measures that will expedite creation of job opportunities for the rural and urban jobless masses.

The profile of the district and the province are relatively similar, with about 48% of the population comprising males, and about 52% comprising females.

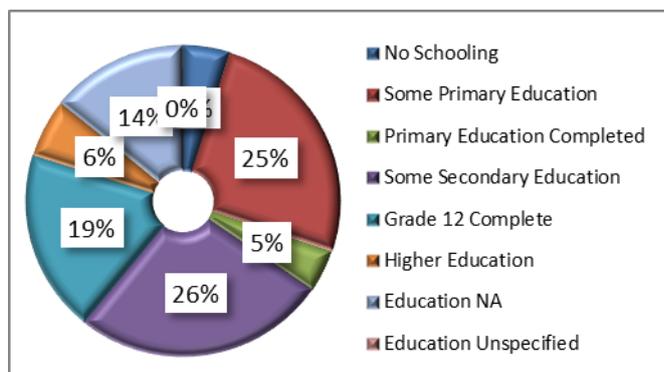
(c) Education Level

The education level is an important indicator of the future prosperity or challenge facing an economy. In this regard it can be deduced that the municipality of Endumeni has to play a vital role in stimulating the economy that will cater for the needs of the majority of the population.

Graph 2 : Education



Source: Statssa 2011



HIGHEST EDUCATION	
No Schooling	3145
Some Primary Education	16407
Primary Education Completed	2872
Some Secondary Education	17055
Grade 12 Complete	12290
Higher Education	3913
Education NA	9096
Education Unspecified	84

Source: Statsa 2011

The Stats SA figures indicate that in terms of functional literacy for people over 20 years, the functional literacy rate has increased from 72.25% in 1996 to approximately 95% in 2011. In terms of the highest level of education for people 15 years and older, the Global Insight figures indicate that there has been a decline in the number of people with no schooling from 1996 to 2011. The figures also indicate an improvement in the number of people with Grades 10 – 11, Matric only, as well as Matric and some form of post- Matric qualification.

Statistics South Africa confirms that, the education profile of the Endumeni Municipality population has improved from the situation in 2001. The number of people who do not have formal education has decreased from 4362 in 2001 down to 3 145 in 2011. Similarly, the number of people with secondary education has increased from 15562 in 2001 to 17 055 in 2011.

More interestingly there is an increase in number of women with higher level of education. The overall picture is that the area has more motivated people to upgrade their education level.

Over 75% of the population of Endumeni lives in formal urban housing, whilst another 10% of the community lives in informal housing in Endumeni. Thirteen Percent of the population lives on rural farms in the area. Present estimates are that an additional 1750 sites are required.

1.2 2018/19 SERVICE DELIVERY OVERVIEW

The municipality implemented seven capital projects during the 2018/19 financial year. These projects were a combination of previous projects that had been carried over from the other financial years; others were implemented in phases whilst some were new projects all together. Listed below are the seven projects that were implemented together with their sources of funding, budget allocation and status quo.

Project Name	Ward	Funding Source	Budget Allocation	Status Quo
Completion of Sithembile Media Centre	3	MIG	R3 105 000.00	78% completed
Electrification of Nyanyeni (pre-marketing and design)	5	INEP	R167 912.60	Construction has commenced, 98% completed.
Electrification of Mpilonde (pre-marketing and design)	5	INEP	R463 913.40	Design completed. Procurement of service provider
Construction of Tandy Community Garden Pack house phase 2	2	Small Town Rehabilitation Grant	R750 000 .0	Completed
Glencoe sports facility	7	Buffalo coal mine	R6 000 000.0	95% completed
Rehabilitation of asphalt roads within	All	MIG	R1 600 000.0	Completed

endumeni				
Procurement of Machinery (TLB and Grader)	N/a	Massification grant	R4 500 000.0	Completed

With all the sound project management initiatives which included close monitoring of projects, the municipality was able to complete four of the seven projects, and two of the projects were overlapping into the 2019/20 financial year, whilst the remaining one project is a rollover project and is at 98% completion.

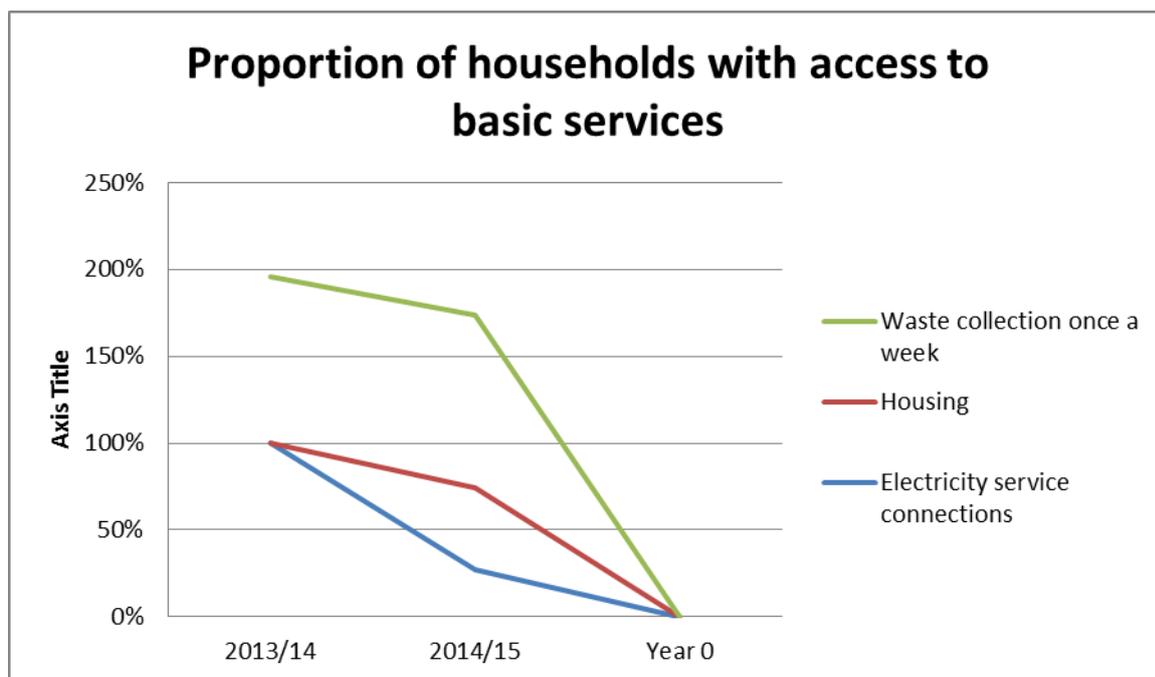
Some of the key highlights during the implementation of these projects were the 145 job opportunities that were created for the local residents as well as the empowerment of local contractors who provided services at a sub-contractor level as guided by the municipal Supply Chain Management Policy. In addition, the municipality is equally pleased with the implementation and development of the below mentioned projects:

- the approval of multi-year capital project lists;
- Procurement of new machinery for maintenance of gravel roads;
- Rehabilitation of asphalt roads within the Endumeni Municipality with help of a newly developed Pavement management system; and
- Implementation of capital projects through funding sourced from external stakeholders through the social labour plan programme.

1.2.1 Waste Management Plan

The municipality has a waste management collection plan that is monitored on a weekly basis. The plan incorporates the removal of waste from residential areas as well as industrial areas. There is an attendance register that is signed by employees upon completion of the weekly chores.

Graph 3: Access to Basic Services

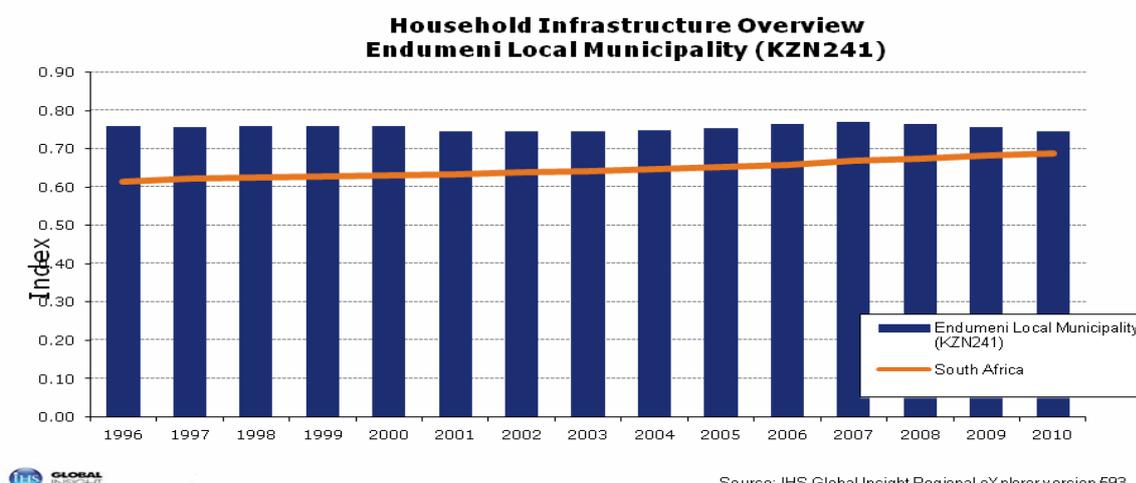


Source: Statssa 2011

1.2.2 Infrastructure Overview

The graph below indicates a composite index of the above levels of infrastructure provision for the Endumeni. The index indicates that there has been an improvement in the levels of infrastructure provision and it has remained at 0.76; it has been above the national averages for this same period.

Graph 5: Infrastructure Overview



Source: IHS Global Insight Regional eXplorer version 593

1.3 FINANCIAL OVERVIEW

The Municipality had budgeted R 258 507 000.00 operating revenue, of which 83% collection rate has been achieved. There has been a challenge of electricity theft which resulted in a loss of R 38 742 000.00 at sales value for the 2018/19 financial year, despite the municipality appointing a meter auditing company to curb the theft.

The cost of the meter audit service provider has costed the municipality R 2 576 288.00 in the 2018/19 financial year. There was also a challenge of high non-payment of rates and services which led to the need for a high provision of bad debts amounting to R 13 928 457.00 . This contribution was not fully budgeted for and was more than anticipated. Council has also written off debts which were regarded as uncollectable amounting to R4 378 255.00.

Municipal Infrastructure Grant (MIG) funding of R 24 487 000.00 was made available for the implementation of capital projects mainly road infrastructure and a media centre. The MIG funds was not fully expended in 2018/19 financial year and an amount of R1 554 491.00 remained unspent at financial year end. The municipality was not successful in its application for rollover of unspent funds and this money will have to be paid back to the National revenue fund. With the recent appointment of the Technical Director and the Chief financial officer, the municipal will be in a better position to ensure 100% spending of future allocations. Integrated National Electrification programme (INEP) funding of R 6 900 000.00 was also made available to fund electrical projects of which rollover of R 3 338 007.00 was applied for but unfortunately was not approved for 2018/19 financial year. These monies will have to be paid back to the National Treasury.

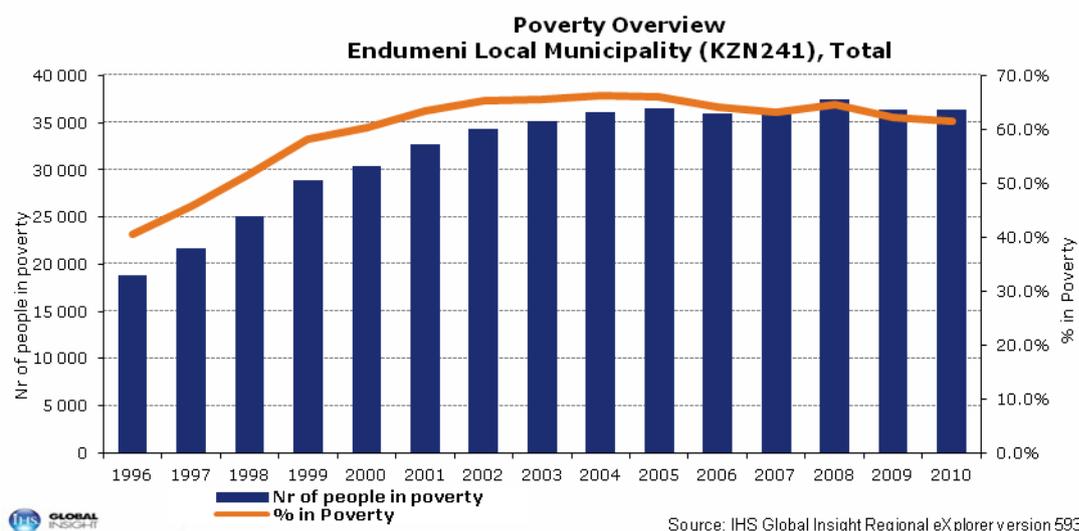
1.4 ECONOMIC ANALYSIS

(a) Number of People in Poverty

[Poverty](#) is defined as the state of one who lacks a usual or socially acceptable amount of money or material possessions. This variable indicates the number of people that lack the goods and services commonly taken for granted by members of mainstream society.

In terms of percentages, in 1996 40.7% of residents of the Endumeni lived in poverty, while in 2010 61.9% lived in poverty. This figure peaked at 66% in 2005. While the poverty rate is at 61% Africans are the most affected. At least 69.9% of Africans are languishing in poverty and as far back as 2005 the rate was at 78%. Again, this calls for strategic interventions that will speedily minimise the number of people in poverty.

Graph 6: Poverty Overview



(b) Poverty Gap

The poverty gap can be defined as the amount of income that would be required to bring every poor person exactly up to the poverty line, thereby eliminating poverty. It can also be defined as the total income shortfall, expressed in proportion to the poverty line, of families with income below the poverty threshold, divided by the total number of families.

For the UDM this figure stood at R327 million in 1996, and rose to R1,037 million in 2009. This figure peaked in 2008. In case of Endumeni at least 47 million is required to bring all the residents currently below poverty line to the equilibrium level. This is the level where all affected will have 1 dollar per day.

(c) Percentage Of People Living Below \$1 And \$2 Per DAY

In 1996 9% of the population of UMzinyathi lived below \$1 per day and 26.2% lived below \$2 per day. This figure improved to 0.4% living below \$1 per day and 10% below \$2 per day in 2010. The year 2002 saw the highest number of people living

below \$1 per day (12%) and the highest number of people living below \$2 per day (33.8%).

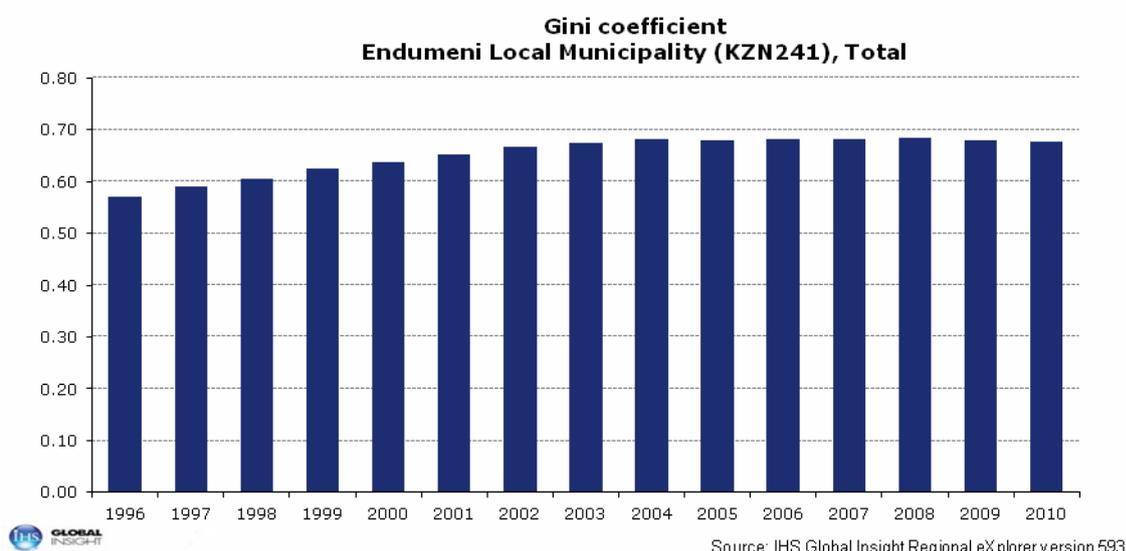
In 1996 at least 4% of the population of Endumeni lived below \$1 per day and 12% below \$2 per day. However, there has been a noticeable improvement on these figures. Currently Global Insight reports that 0.4% live below \$1 per day and 11.5% below \$2 per day respectively.

(d) Gini Coefficient

The Gini Coefficient is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none).

The Gini Coefficient for the UDM rose from 0.59 in 1996, to 0.61 in 2009, and peaked at 0.63 in 2003 and 2004. This indicates a relatively high level of inequality in the UDM society. The Gini coefficient for the UDM in 2009 was lower than the national average. On the other hand, the Gini Coefficient of Endumeni is reported to be 0.68 in 2010 while it was 0.57 in 1996. The inequality gap has increased in Endumeni living government with the challenge to narrow this unhealthy economic gap.

Graph 7: Gini coefficient



(e) Human Deprivation Index

The Human Deprivation Index or HDI is a summary of human development and can be defined as a measure of multi-dimensional poverty. In 2004 it was estimated that the HDI for the UDM was the second lowest figure for DM's in KZN behind the uMkhanyakude DM.

The HDI for the UDM in 2009 was 0.36 which was lower than the national average of 0.56 for the same period. The HDI for Endumeni was 0.54 in 2010 and was standing at 0.56 in 1996.

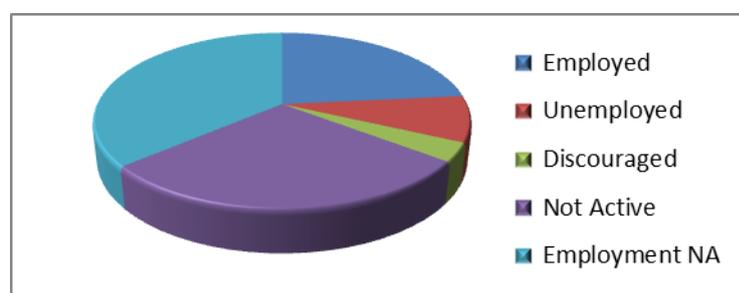
(f) Minimum Level Of Living

The Minimum Level of Living (MLL) can be defined as the minimum financial requirements of members of a household to maintain an acceptable living standard, which is above the Poverty Line. Sufficient quantities of relevant expenditure items based on minimum health standards are allowed for when calculating the MLL, but rational expenditure on them is assumed. The MLL is measured in monetary value.

1.4.1 Economically Active Population

The Global Insight data indicates that in 2010 the economically active population (EAP) for the Endumeni represented 18.9% which was an improvement on the 17.9% in 1996. The Asian community proved to be more economically active at 30% as compared to other racial groups. The 2010 EAP figures represented some 5 237 females and some 5 985 males. The EAP rate peaked in 2005 at 21.1%.

(a) Employment Profile



EMPLOYMENT STATUS	
Employed	15227
Unemployed	5466
Discouraged	2222
Not Active	18444
Employment NA	23503

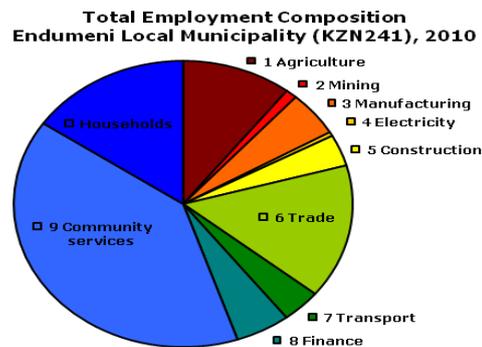
Source: Statistics South Africa

Statistics South Africa suggest that, the number of economically inactive population has now increased to 18 444 from 12 039 in 2007. The rate of the unemployed has decreased from 6 964 in 2007 to 5 466 in 2011.

(b) Employment per Sector

As can be seen from the graph below, in 2010 the *Community Services* sector employed the highest percentage of residents followed by household (996 people), Trade (976 people) and Agriculture at 674 people.

Chart 1: Employment composition



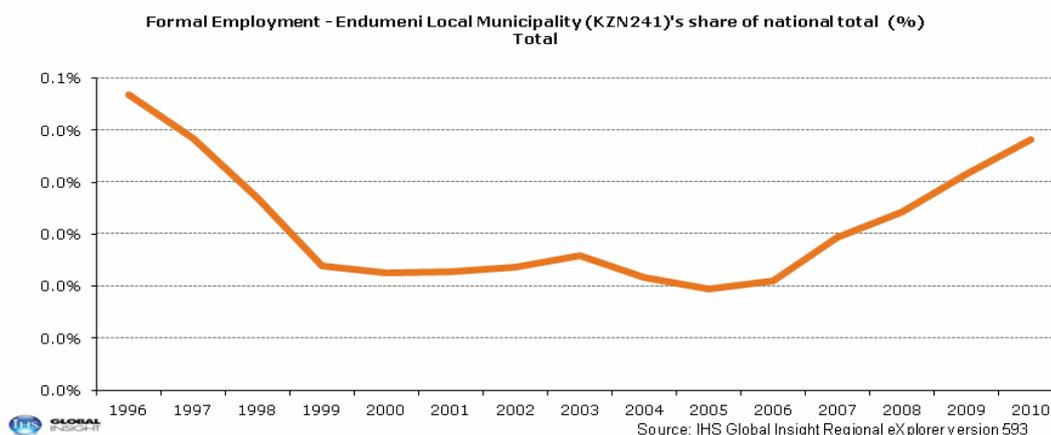
Source: IHS Global Insight Regional eXplorer version 593

It is however noticeable that, agriculture and mining sector that used to dominate the economy of Endumeni have dwindled dramatically. While their potential to contribute significantly in the local economy is not questionable but rather the strategies required to turn around their fortunes need to be devised and implemented accordingly. Amongst other things, the fall of agriculture has been partly attributed to the large hectares of land transferred to previously disadvantaged communities that is under-utilized. Undoubtedly, the revitalization of land reform programme and implementation economic reforms within the farms around Dundee, Wasbank and Glencoe remains central to the LED strategy of the municipality.

The revival of the mining sector is warmly welcomed, since it has a potential to re-create job opportunities in the area and impact on the positive growth of Dundee and Glencoe towns.

c) Overall Formal Employment

Graph 8: Formal employment

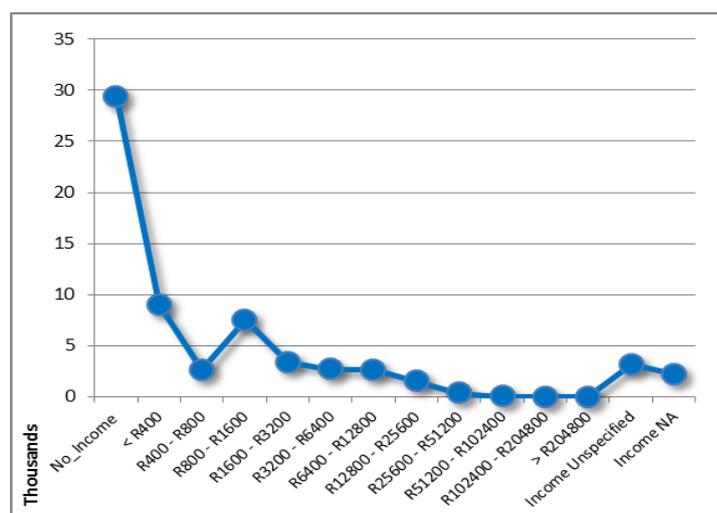


It is noticeable that, Endumeni is contributing very little in terms of national employment standards. Again, the argument asserted earlier in this report that alludes to dwindling state of key sector is still a determining factor in our little employment contribution at national level. However, it is encouraging that, the Endumeni's contribution to national employment figures is now increasing as from 2006 to 2010.

1.4.2 Income Levels

(a) Annual Household Income

The following graph summarises the annual individual income at current rand prices. As can be seen, there has been an improvement in the annual individual and household income from 1996 to 2010.



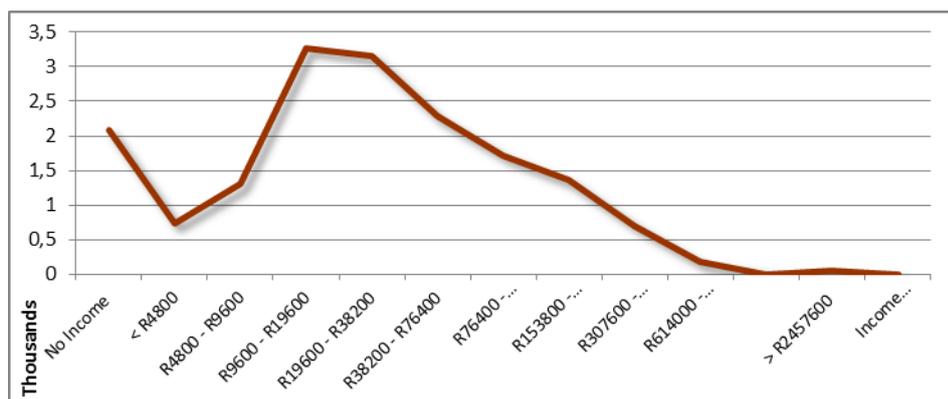
Graph 9: Individual income

INDIVIDUAL MONTHLY INCOME	
No Income	29354
< R400	9068
R400 - R800	2625
R800 - R1600	7536
R1600 - R3200	3385
R3200 - R6400	2719
R6400 - R12800	2629
R12800 - R25600	1550
R25600 - R51200	386
R51200 - R102400	88
R102400 - R204800	49
> R204800	40
Income Unspecified	3188
Income NA	2245

However, it should be noted that people with no income are still high at 29 354 and at the top market bracket we have only 40 earning above R 204 000.

The following graph indicates the number of households per income category. As can be seen from this data, there has been a real decline in the households earning at the lower income levels and an associated increase in the number of households earning at the higher income levels.

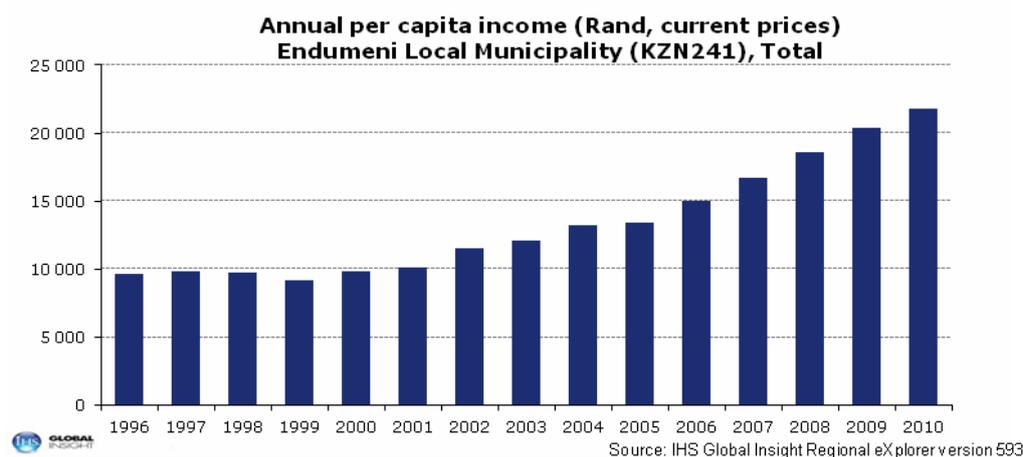
Graph 10: Individual Income



(b) Annual per Capita Income

Annual per capita income has also improved during this period from R9, 612.00 in 1996 to just below R21, 813.00 in 2010.

Graph 11: Annual per Capita Income (1996 – 2010)



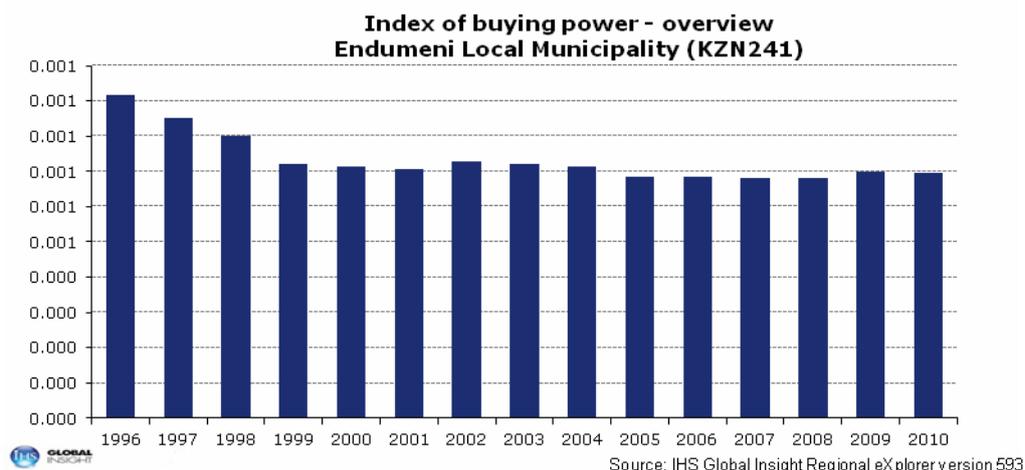
(c) Index of Buying Power

An *Index of Buying Power* is a popular indicator of a geographical area's relative consumer buying power. The index is calculated using weighted data for income,

retail sales, and population in the area being evaluated. The index can be used by retailers when considering new store locations.

The Index of Buying Power for the Endumeni has decreased marginally from 0.0009% in 1996 to 0.0006% in 2010. The retail share of the national total has also decreased from 0.07% in 1996 to 0.04% in 2010. Income share of the national total has remained static at 0.1% for the period 1996 to 2010.

Graph 12: Index of Buying Power (1996 – 2010)



1.5 AUDITOR GENERAL REPORT

In the 2018/19 financial year, the municipality obtained an unqualified audit opinion with matters of emphasis. The matters of emphasis which have been raised and appeared in the management report are amongst others but not limited to:

- I. Expenditure Management;
- II. Consequence Management;
- III. Procurement and Contact Management;
- IV. Human Resource Management;
- V. Fraud and Consequence Management; and
- VI. Strategic Planning and performance management.

1.6 STATUTORY PERFORMANCE MANAGEMENT SYSTEM PROCESS

Once the Audit Report has been tabled at Council in January 2020, the municipality will then develop an action plan to address all the issues that have been raised by the Auditor General, and will be on, on a monthly basis.

1.7 VISION, MISSION, AND CORE VALUES

1.7.1 Vision

“Endumeni, being at the heart of the KwaZulu-Natal battlefields, strives to be a dynamic municipality participating with its entire people for the promotion of sustainable and harmonious development within its urban and rural communities.”

1.7.2 Mission

“To provide an effective and transparent system of good governance aimed at addressing the challenges of our municipality in a manner benefiting our core values;”

1.7.3 Core Values

Transparency

Humanism/ Ubuntu

Enthusiasm;

Responsiveness;

Excellence;

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE STRUCTURES

2.1.1 Political Structure

MAYOR

In terms of s49(1)(a) of the Municipal Structures Act No. 117 of 1998, the Mayor of a municipality presides at meetings of the executive committee. Performs the duties including any ceremonial functions, and exercises the powers delegated to the Mayor by the municipal council or the executive committee. His worship the Mayor Cllr SB Mdluli was the chairperson of Executive Committee during the year under review.

DEPUTY MAYOR

In terms of s49(2) of the Municipal Structures Act No. 117 of 1998, the Deputy Mayor exercises the powers and performs the duties of the Mayor if the Mayor is absent or not available or if the office of the Mayor is vacant. The Mayor may delegate duties to the Deputy Mayor. Cllr M Nkosi was the deputy chairperson of Executive Committee during the year under review.

SPEAKER

In terms of s37(a) of the Municipal Structures Act No. 117 of 1998, the Speaker of a municipal council presides at meetings of the council. Performs the duties and exercises the powers delegated to the speaker in terms of s59 of the Municipal Systems Act No.32 of 2000. Cllr LT Khumalo was the Speaker of Council during the year under review.

2.1.2 Executive Committee

During the year under review, the municipality had an effective and functional Executive Committee. The Executive Committee is the principal committee of Council for the municipality. The Executive Committee receives reports from other committees of Council, which must then forward these reports together with their recommendations to Council. The Executive Committee had eight meetings during 2017/18 financial year.

EXECUTIVE COMMITTEE MEMBERS

His Worship Cllr SB Mdluli - Chairperson

Cllr MI Nkosi

Cllr AS Ndlovu

2.1.3 Council

COUNCILORS

The Endumeni Local Municipality has 13 Councillors. During the year under review, the municipality had an effective and functional Council and had twenty two meetings. The municipal Council ensured to strive within its capacity to achieve the objectives as set out in Section 152 of the Constitution which indicates that Council must annually review:

- The needs of the community;
- The priorities to meet those needs;
- Its processes in involving the community;
- Its organisational and delivery mechanism for meeting the needs of the community
- Its overall performance in achieving the objectives as set out in Section 152 of the Constitution.

2.1.4 Portfolio Committees

During the year under review, the municipality had an effective and functional Portfolio Committees which were established in line with Section 79 of the Municipal Structures Act (No 117 of 1998). The establishment of the committees was to ensure effective and efficient performance of the municipality in terms of service delivery, and also to assist the Executive Committee. The portfolio Committees serve to report to the Executive Committee in accordance with the performance directives of the Executive Committee.

The Section 79 Committees established, were established in the following manner:

Portfolio Committee	Number of Meetings
Budget & Treasury (BTO)	10
Technical Services	10
Corporate Services	10
Planning & Economic Development Services	09

2.1.5 Municipal Public Accounts Committee

During the year under review, the municipality had a functional Municipal Public Accounts Committee which was in charge with the responsibility to:

- Assist Council to hold the executive and administration to account;
- Councillors are therefore responsible for exercising oversight over both the executive and administration;
- Proper administration of oversight requires Councillors to be fully informed of their own agenda, business or affairs; and

2.1.6 Audit Committee / Performance Audit Committee

During the year under review, the municipality had a functional Audit Committee as required in terms of Section 166 of the Municipal Finance Management Act No 56 of 2003. The functions which were performed by the Audit Committee during the year under review are amongst others:

- Review of Internal Financial Control and Internal Audits;
- Risk Management;
- Review of Financial Statements and Accounting Policies;
- Performance Management; and
- Effective Governance.

2.1.7 Risk Management Committee

During the year under review, the municipality did not have the risk management committee in place, but processes of establishing the committee are underway.

2.2 ADMINISTRATIVE GOVERNANCE STRUCTURES

2.2.1 Administrative Governance

During the year under review, the municipality had five departments, namely: Office of the MM, Finance Department, Corporate Services, Development Planning and Technical Services. Only two section 56 positions were filled on fixed term appointments (Technical services and Development Planning); three s56 positions were filled by acting personnel (Municipal Manager, Finance Department and Planning and Economic Development)

In terms of the administrative governance structures which were in place during 2018/19 financial year, it was structured as per the following departments:

- Top Management Committee;
- Office of the Municipal Manager;
- Technical Services;
- Corporate Services;
- Planning and Economic Development; and
- Budget and Treasury;

2.2.2 Top Management Committee

During the year under review, the municipality had a functional and effective Top Management Committee. The committee consisted of the Acting Accounting Officer, Acting Chief Financial Officer, Acting Executive Manager Planning and Economic Development Services and Acting Executive Manager Technical Services. The functions being performed by the Top Management Committee was to assist the Accounting Officer in managing and coordinating the financial management and overall administration of the municipality.

(a) Office of The Municipal Manager

- Communications & Public Relations
- Intergovernmental Relations
- Social Development

- Internal Auditing & Risk Management
- Community Participation

(b) Department: Finance

- Promote sound financial management throughout the municipality;
- Be responsible for all income and expenditure, all assets and the discharge of all liabilities;
- Ensure compliance with the Municipal Finance Management Act (MFMA) No. 56 of 2003;
- Prevent fruitless and wasteful expenditure; and
- Disclose all information on debts.
- The Finance department also managed the following sections:
 - . Income,
 - Supply Chain Unit;
 - Computers;
 - Expenditure
 - Asset Management
 - Budget and Reporting.

(c) Department: Planning & Economic Development Services

- Development Planning Services / Town Planning Services
- Integrated Development Plan (IDP) and Performance Management Plan (PMS)
- Human Settlement & Building Compliance
- Real Estate Services
- Local Economic Development (LED) & Tourism Services
- Estates & Town Planning

(d) Department: Technical Services

- Sanitation,
- Civil Engineering,
- Electrical,
- Mechanical
- Projects
- Technical Administration

(e) Department: Corporate Services

- Human Resources & Administration;
- Safety & Security;
- Legal
- Information Technology
- Admin Services

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.2.3 Top Management Committee

During the year under review, the municipality had a functional and effective Top Management Committee. The committee consisted of the Acting Accounting Officer, Acting Chief Financial Officer, Executive Manager Planning and Economic Development Services, Technical Services. The functions being performed by the Top Management Committee was to assist the Accounting Officer in managing and coordinating the financial management and overall administration of the municipality.

(f) Office of The Municipal Manager

- Communications & Public Relations
- Intergovernmental Relations
- Social Development
- Internal Auditing & Risk Management
- Community Participation

(g) Department: Finance

- Promote sound financial management throughout the municipality;
- Be responsible for all income and expenditure, all assets and the discharge of all liabilities;
- Ensure compliance with the Municipal Finance Management Act (MFMA) No. 56 of 2003;
- Prevent fruitless and wasteful expenditure; and
- Disclose all information on debts.
- The Finance department also managed the following sections:
 - . Income,

- Supply Chain Unit;
- Computers;
- Expenditure
- Asset Management
- Budget and Reporting.

(h) Department: Planning & Economic Development Services

- Development Planning Services / Town Planning Services
- Integrated Development Plan (IDP) and Performance Management Plan (PMS)
- Human Settlement & Building Compliance
- Real Estate Services
- Local Economic Development (LED) & Tourism Services
- Estates & Town Planning

(i) Department: Technical Services

- Sanitation,
- Civil Engineering,
- Electrical,
- Mechanical
- Projects
- Technical Administration

(j) Department: Corporate Services

- Human Resources & Administration;
- Safety & Security;
- Legal
- Information Technology
- Admin Services

2.3 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

In terms of s3 (1) of the Municipal Systems Act No. 32 of 2000, municipalities must exercise their executive and legislative authority within the constitutional system of co-operative government envisaged in section 41 of the constitution.

For the purpose of effective co-operative government organized local government must seek to:

- a) Develop common approaches for local government;
- b) Enhance co-operation, mutual assistance and sharing of resources among municipalities;
- c) Find solutions for problems relating to local government generally and;
- d) Facilitate compliance with the principles of co-operative government and intergovernmental relations.

The three spheres of government are interdependent and yet interrelated, all of them are crucial to each other to ensure alignment throughout. The alignment can be improved through the mutual participation of IGR structures and forums. Endumeni Local Municipality has an IGR personnel and all IGR meetings are facilitated by him under the administration section.

The municipality also participates in National and Provincial Intergovernmental structures. There is also smooth relations with municipal entities within the District and also participate in the District Intergovernmental Structures. Participating in these structures allows for the translation of the National Development Plan (NDP), Provincial Growth and Development Strategy (PGDS), and District Growth and Development Plan (DGDP).

2.3.1 Intergovernmental Relations Structures

PROVINCIAL INTERGOVERNMENTAL STRUCTURE			
NO.	IGR STRUCTURE	OBJECTIVE	FUNCTIONALITY
1.	IDP Representative Forum IDP_LED Technical Committee	The purpose of the forum is to serve as a platform where the district family of municipalities meet with the sector departments, private organizations, business, NGO's and CBO's to discuss developmental issues that affect the district family.	Yes
2.	Provincial IGR	It's a provincial structure which is being attended	Yes

	COGTA meeting	by the municipalities, its purpose is to track progress regarding the functioning of IGR	
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RELATIONSHIPS WITH MUNICIPAL ENTITIES

NO.	IGR STRUCTURE	OBJECTIVE	FUNCTIONALITY
1.	Municipal Managers Forum	The Municipal Managers Forum serves as a technical support to the Coordinating Forum and implements their resolutions. The members of the technical support structure are the Municipal Managers of the district family of municipalities, or officials designated by them, and it also meets on quarterly basis and is functioning properly.	Yes
2.	Corporate Services Forum	The purpose of the forum is to share information on Administrative, Human Resource and Information Technology issues matters, and also to provide advice to the Municipal Managers Forum such matters.	Yes
3.	Chief financial Officer Forum	The purpose of the forum is to share information on financial management and also to provide advice to the Municipal Managers Forum on financial matters.	Yes

DISTRICT INTERGOVERNMENTAL STRUCTURE

NO.	IGR STRUCTURE	OBJECTIVE	FUNCTIONALITY
1.	Speakers Forum	The forum was established during the 2013/14 Financial Year and meets on quarterly basis.	Yes
2.	Planning & Development Forum	The purpose of the forum is to co-ordinate planning and development within Umzinyathi District by ensuring improved and continued communication amongst the various planning sectors, and also to ensure that planning and	Yes

		development within the District is undertaken in a holistic way and that it takes place within the framework of all Municipalities' Integrated Development Plans. The Endumeni Local Municipality is part of the forum.	
3.	Disaster Advisory Forum	The purpose of the forum is to implement, monitor and co-ordinate all disaster management related issues within Umzinyathi District by ensuring improved and continued communication. The forum consists of representatives from the district and local municipalities, SAPS, Traffic, emergency services etc. The Endumeni Local Municipality is part of the forum.	Yes
4.	Communicators Forum	The functions of the forum include but are not limited to the following: <ul style="list-style-type: none"> • To coordinate the sharing of information pertaining to all spheres of government; • To coordinate and organize a calendar of events for the district to ensure that these activities are streamlined across the district to avoid duplication and waste of resources; and 	Yes
5.	Tourism Forum	Tourism is one the key economic sectors within the district. Therefore, the purpose of the forum is to coordinate and implement economic Tourism programmes and projects within the district.	Yes

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

In terms of s17(2)(a) of the Municipal Systems Act No. 32 of 2000, a municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality. The Endumeni local municipality has a fully-fledged public participation unit that has a sole responsibility of participating in consultative sessions with the ward committees and the

community organizations. Report back to the community is structured in a manner that responds to the issues raised by the community through ward committees.

2.4 PUBLIC MEETINGS

Since the IDP involves participation of a number of stakeholders, it was crucial for the municipality to adopt an appropriate approach and also put in place appropriate structures to ensure effective participation. The municipality had a number of structures advocating public participation which are as follows:

The Endumeni Municipality appoints representatives to its political structures and external bodies after completion of each municipal election and representations to such Committees and external bodies. During the year under review active committees are listed as follows:

2.4.1 Labour Forum:

Cllr MH Xaba – Chairperson

Cllr B Khan

Cllr NE Khanyile

2.4.2 Portfolio Committees

Corporate Services

Cllr M I Nkosi - Chairperson

Cllr CJ Carelse

Cllr NE Khanyile

Cllr TI Makaba

Finance

Cllr SB Mdluli - Chairperson

Cllr M H Xaba

Cllr N E Khanyile

Cllr A M Raubenheimer

Technical Services

Cllr SB Mdluli - Chairperson

Cllr FN Mthethwa

Cllr AM Raubenheimer

Cllr SN Zwane

Planning & Economic Development

Cllr AS Ndlovu - Chairperson

Cllr B Khan

Cllr NE Khanyile

Cllr TM Mahaye

2.4.3 IDP Orientated Structures

Ward committees

Cllr LT Khumalo - Speaker

IDP Rep forums

Cllr S.B Mdluli, Mayor

IDP Steering Committee

The Acting Municipal Manager

District Development Planning Forum

District IDP Manager and LED Manager

2.4.4 Ward Committees

1. The number of functional ward committees
6 wards (Wards 1,2,4,5,6,7)
2. Challenges experience by the ward committees
 - Communities do not understand the role of Ward Committees because they demand more than what is within their scope of work,
 - Non-submission of sectoral forms, which shows that there is no working relationship between the ward chairperson and ward committees.
3. Steps have been taken to sustain the functionality of the ward committees

4. Support required from the District and the department to support the non – functional and sustain the functional committees.
 - Provide resources (human and financial) for the continuous training programme.
5. Participation in operation Sukuma Sakhe by ward committees and ward Councilors
6. Community Meetings Held:

Month	Ward 1	Ward 2	Ward3	Ward4	Ward5	Ward6	Ward7
July – September 2017	0	1	0	2	0	0	0
October - December 2017	2	1	0	2	0	2	1
January - March 2018	3	1	0	3	2	4	2
April – June 2018	2	1	0	2	2	3	2
Total number of ward meetings	7	4	0	9	4	9	5

2.5 IDP Participation and Alignment

The **Public Engagements** is a process where communities are being provided an opportunity to discuss developmental issues as required by Chapter 4, Section 16 & 17 of the Municipal Systems Act, which stipulates that municipalities are required to develop a culture of public participation and consult their respective communities on developmental issues. During the IDP Review for 2018/19, communities were consulted through their structures (e.g. ward committees, community development workers) to participate during the process in all wards within the municipality.

(a) Horizontal Alignment

Alignment of the Endumeni IDP with district and other local municipalities is imperative to ensure that there is a sharing of information – particularly with regards to strategies, objectives, programmes and projects, and it will be undertaken through the Planning and Development Forum which convenes on bi-monthly basis. The frequent meetings of the Planning and Development Forum assisted the district family to monitor alignment issues constantly.

(b) Vertical Alignment

Alignment with Sector department and Service providers will also take place as it is essential in order for the District family to have consistence planning and also priorities can be indicated in their project prioritization. This was undertaken through meetings or one-on-one basis. The district convened two IDP_LED Technical Committee meetings (IDP Representative Forums), to discuss integration issues and also to present to Sector Departments the key municipal priorities which require funding for implementation in the next financial year.

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

In terms of Section 62(1)(c)(i) of the Municipal Finance Management Act No. 56 of 2003, the municipality must have and maintain an effective, efficient and transparent system. For financial and risk management and internal control. The municipality identified thirty three risks factors, and they are as follows, amongst others:

1. Disaster recovery, Business continuity risk
2. Financial risk
3. Art and Cultural risks
4. Technological and Systems risk
5. Strategic and Service Delivery risk
6. Health and Safety security risks
7. Process operational risks
8. Social risks

9. Human resources risk
10. Local Economic development Risk
11. Legal Services Risk

The municipality made progress in addressing the issues related to most of the risks identified. During the 2019/20 financial year, the municipality seeks to appoint the Risk Officer to assist with addressing and minimizing the above identified risks for the Municipality.

2.7 ANTI – CORRUPTION AND FRAUD

Fraud and Corruption Strategy

The municipality has an anti-corruption and fraud policy to mainly combat unethical behavior. The municipality also has the code of conduct to supplement the above mentioned policy.

2.7.1 Municipal Oversight Committees

(a) Audit Committee / Performance Audit Committee

During the year under review, the municipality had a functional Audit Committee as required in terms of Section 166 of the Municipal Finance Management Act No 56 of 2003. The functions which were performed by the Audit Committee during the year under review are amongst others:

- (b) Review of Internal Financial Control and Internal Audits;
- (c) Risk Management;
- (d) Review of Financial Statements and Accounting Policies;
- (e) Performance Management; and
- (f) Effective Governance.

(g) Internal Auditors

In order for the Audit Committee to meet its objectives, the municipality appointed Ntshidi & Associates as its Internal Auditors for a three year period, which commenced on the 18 July 2018. The municipality also has the Internal auditor for strengthening the internal capacity in terms of the Internal Audit unit. Ntshidi & Associates is working closely with the internal Auditor.

2.8 BY-LAWS

BYLAWS	DEVELOPED	ADOPTED BY COUNCIL	GAZETTED
1. Bylaws On Keeping of Animals	✓	✓	✓
2. Trading Bylaws	✓	✓	✓
3. Credit Control Bylaws	✓	✓	✓
4. Bylaw On The Control And Discharge Of Fireworks	✓	✓	✓
5. Bylaw Relating To The Control Of Public Nuisance	✓	✓	✓
6. Bylaw On Advertising Signs	✓	✓	✓
7. Bylaw Relating To Offences, Penalties And Appeals	✓	✓	✓
8. Bylaws Relating To Municipal Property Rates	✓	✓	✓
9. Electricity Bylaws	✓	✓	✓
10. Road Traffic Bylaws	✓	✓	✓
11. Property Encroachment Bylaws	✓	✓	✓
12. Library Bylaws	✓	✓	✓
13. Bylaw Relating To Municipal Facilities And Public Amenities	✓	✓	✓
14. Bylaw Relating To Regulation Of Mini Bus Taxis And Buses	✓	✓	✓
15. Pound Bylaws	✓	✓	✓
16. The Bylaw Relating To Parking	✓	✓	✓

17.The Bylaw Relating To Cemeteries	✓	✓	✓
18.The Bylaw Relating To Fire Prevention	✓	✓	✓
19.The Bylaw Relating To Refuse Removal And Disposal	✓	✓	✓
20.The Bylaw Relating To Stormwater	✓	✓	✓
21.Spatial Planning and Land Use Management Bylaws	✓	✓	✓

2.9 MUNICIPAL WEBSITE

During the year under review, the municipality had a functional website with the information required to be made in public in terms of the Municipal Systems Act and Municipal Finance Management Act, e.g IDP, Budget, Policies, Performance Agreements, SDBIP etc.

2.10 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Public Satisfaction Levels

The municipality completed the preparation of the 2014/15 Customer Satisfaction Survey and the issues emanating from the study were addressed through the 2016/17 IDP Review. A new Customer Satisfaction Survey study was to be conducted after a new Provincial study has been released. The aim of the study was to determine the perceptions of the community on the services the municipality is providing. The Customer Satisfaction Survey also contribute to improving communication between the municipality and the community in determining the social and economic needs that require urgent attention and deemed necessary to improve the quality of lives..

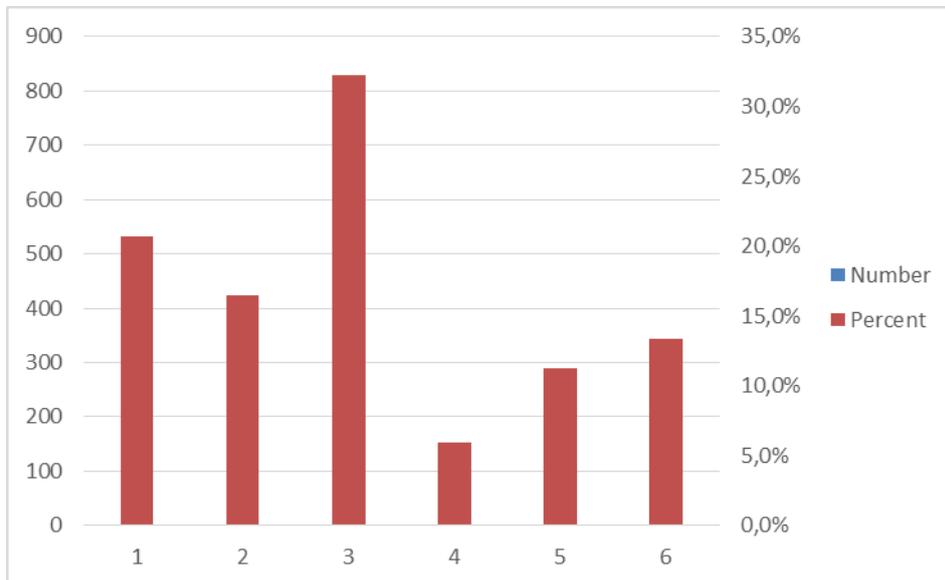
During the 2018/19 financial year, the municipality embarked on a service delivery impact assessment report. The study examined survey results in each of the wards within its area and within the municipality itself. It forms part of the Performance Management System.

Survey Location

Ward	Number	Percent
1	494	20,7%
2	392	16,4%
3	769	32,3%
4	141	5,9%
5	268	11,2%
6	319	13,4%
Grand Total	2383	100,0%

Survey Location

Area Type	Number	Percent
Suburb	573	24,0%
Formal Township	1130	47,4%
Rural Settlement	525	22,0%
Informal Settlement	126	5,3%
Inner City	29	1,2%
Grand Total	2383	100,0%



Type of Area By Ward

Ward	Area type	Number	Percent
1	Suburb	124	5,2%
	Formal Township	5	0,2%
	Rural Settlement	322	13,5%

	Informal Settlement	42	1,8%
	Inner City	1	0,0%
1 Total		494	20,7%
2	Suburb	321	13,5%
	Formal Township	66	2,8%
	Rural Settlement	1	0,0%
	Inner City	4	0,2%
2 Total		392	16,4%
3	Suburb	2	0,1%
	Formal Township	546	22,9%
	Rural Settlement	194	8,1%
	Informal Settlement	25	1,0%
	Inner City	2	0,1%
3 Total		769	32,3%
4	Suburb	38	1,6%
	Formal Township	95	4,0%
	Inner City	8	0,3%
4 Total		141	5,9%
5	Suburb	1	0,0%
	Formal Township	221	9,3%
	Rural Settlement	5	0,2%
	Informal Settlement	38	1,6%
	Inner City	3	0,1%
5 Total		268	11,2%
6	Suburb	87	3,7%
	Formal Township	197	8,3%
	Rural Settlement	3	0,1%
	Informal Settlement	21	0,9%
	Inner City	11	0,5%
6 Total		319	13,4%
Grand Total		2383	100,0%

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3. INTRODUCTION TO BASIC SERVICES

This Key Performance Area covers the following areas:

- Progress
 - Access to Basic Services
 - Solid Waste
 - Refuse Removal
 - Electricity
 - Waste management
 - Housing
 - Indigent Policy implementation
 - Roads and Transport
 - Infrastructure
 - Transport (vehicle registrations
 - Public bus transportation
- Challenges experienced in basic service delivery (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

3.1 ELECTRICITY

Electricity is one of the major necessities required by all the communities. Lack of electrical connectivity to some of the households within Endumeni has hindered their development and exposed them to ever-increasing prices of paraffin and on-going struggle to access wood as an alternative means of water heating, cooking, etc

To date, the Endumeni Municipality distributes electricity to 11 467 consumers. The electricity backlogs experienced are in the Eskom Licensed Area of Supply only and Endumeni has endeavored to assist in addressing these backlogs by managing the implementation of these Electrification Projects within the Eskom Licensed Area of

Supply funded by the Department of Energy. To date the areas electrified by the Endumeni Municipality in the Eskom Licensed Area of Supply are:

- Thelaphi
- Busi (Wasbank Area)
- Kameelkop
- Stradford Farm

Areas identified by the Endumeni Municipality to be electrified in the Eskom Licensed Area of Supply are:

- Croydon Farm
- Northern Veld
- Tayside
- Nyanyeni
- Mpilondi
- Boyaphile
- Bloodriver
- De Jagers Drift
- Senzokhule

Household access to electricity by Geography hierarchy 2016 for Household weight

	DC24: Umzinyathi	KZN241: Endumeni
In-house conventional meter	9227	3103
In-house prepaid meter	79407	14297
Connected to other source which household pays for (e.g. con	1831	354
Connected to other source which household is not paying for	771	504
Generator	489	-
Solar home system	2236	384
Battery	154	-
Other	5096	631
No access to electricity	27580	1861
Total	126791	21134

Source: Community Survey 2016 Statssa

The April 2016 Stats SA Community Survey, suggests that at least 17 400 households have electrical connections which is relatively higher than the figure reported in 2011. While we see an increase in the number of households with no access to electricity from 69 in 2011 to 1861 in 2016. This compels the electricity service providers to outline their plans on how they are planning to eradicate this costly backlog.

3.2 WASTE MANAGEMENT (REFUSE COLLECTION)

Refuse collection has increased to about 86% with almost 100% coverage of the urban areas. The remaining percentage being our rural areas including the farms. However, refuse collection has been introduced at Stratford farm where refuse is placed along the main road by residents and get collected by the municipal refuse collection team once a week.

The municipality has a waste management collection plan which is monitored on a weekly basis. The plan incorporates the removal of waste from residential areas as well as industrial areas. There is an attendance register that is signed by employees upon completion of the weekly chores.

Refuse removal by Geography hierarchy 2016

Waste Removal	DC24: Umzinyathi	KZN241: Endumeni
Removed by local authority/private company/community members at least once a week	23730	15579
Removed by local authority/private company/community members less often than once a week	1844	402
Communal refuse dump	5450	377
Communal container/central collection point	3802	15
Own refuse dump	76463	3105
Dump or leave rubbish anywhere (no rubbish disposal)	10140	849
Other	5362	807
Total	126791	21134

Source: Community Survey 2016 Statssa

3.3 HOUSING

The share of households occupying formal dwelling has increased from 72% in 1996 to at least 82% in 2011. It is however, estimated that the backlog on formal dwellings

is approximately 2398 households. Out of 13 734 households, 1026 are living under traditional type of houses, while 341 falls under other types of dwellings.

Undoubtedly housing backlog is an area of grave concern for the municipality. There are many factors that had a significant adverse impact on the delivery of housing projects. Water amongst other things has proved to be a hindrance towards the delivery of housing projects at Endumeni.

3.4 FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality reaffirms its commitment to the national principles that underpin the indigent policy – During the 2018/19 financial year, Council approved 2198 indigent households to receive free basic services.

- **Refuse**

Where the valuation of improved property is R50, 000 or less and the owner occupies the property, refuse removal will be provided at no charge (notwithstanding the total household income)

- **Rates**

As per the Rates Policy

- **Electricity**

The monthly indigent support for electricity is determined at 50kw/h per household. Metered connections using in excess of the allowed monthly usage shall pay for the additional usage at the normal rate. In all instances the actual indigent support is calculated taking due cognizance of the amount received, the number of applications received and the standard of services.

All Indigents with valuations greater than R50 000 received additional assistance at the discretion of Council. During the 2018/19 financial year, Council approved 2198 indigent households receiving free basic services.

COMPONENT B: ROAD TRANSPORT

3.5 ROADS

The municipality has a Road Masterplan in place, and also implementing a pavement management system which serves to update our Roads Master Plan. The final Road condition Ranking Report assists our municipality to determine and prioritize the maintenance of Roads.

The Endumeni municipality has a total 972 Catchpits that are maintained. The maintenance plan is an ongoing preventative plan which includes the identification, maintenance, repair and replacement of catch pit slabs. It takes six weeks to cover the whole of the municipal area. One week is dedicated to each ward where the identification and repair process takes place. All repairs are entered to maintenance daily register. This maintenance register informs the monthly reports feeding the SDBIP.

The maintenance plan also includes the identification and repair of pot-holes and installing of speed humps. It takes six weeks to cover the whole municipal area. One week is dedicated to each ward where the identification and repair of pot-holes takes place.

3.6 TRANSPORT

The municipality does not have a transport strategy because it is a district function however there is a transport operational plan in place which is used for the operation of municipal roads

COMPONENT C: PANNING AND LOCAL ECONOMIC DEVELOPMENT

3.7 LOCAL ECONOMIC DEVELOPMENT

INTRODUCTION TO ECONOMIC DEVELOPMENT

During the year under review, the municipality developed and adopted the LED Strategy and the Action Plan thereof, which set to drive the municipal programmes for development of the local economy. It outlines the following:

- **Vision** for Endumeni
- The **Governance and Partnership** arrangements
- The **Policy Context** against which the strategy will be delivered
- The **Sector Based Economic Context** that informs our approach
- The **Challenges and Opportunities** faced
- The **Strategic Priorities and Outcomes which** we will seek to achieve
- The **Actions** that will be prioritised by partners
- How we will **Monitor, Measure and Report** on progress

As part of the implementation plan, the municipality has considered various strategic thrust as appropriate measures towards bringing desired economic change. To this end, it would surely be impractical to implement all strategic pillars and their key action areas given the limitedness of resources. Nevertheless, the key priority strategic pillars for implementation would be:

- Strengthening of Institutional Arrangements
- Agricultural beneficiation and Diversification
- Improved Physical Infrastructure Development for Economic Growth
- Business Development and Investment Promotion
- Skills Development and Training

During the year under review, the municipality implemented amongst others the following programmes:

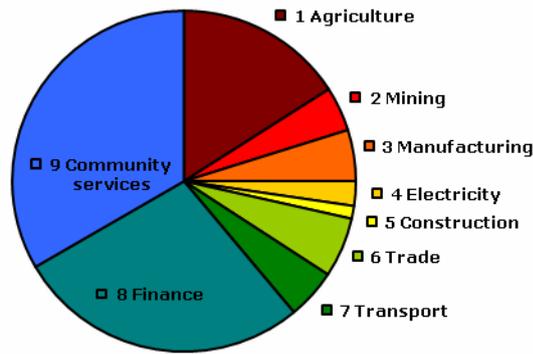
- Undertaken four (4) SMMEs Workshops to as part of capacitation and skills development;
- Created four hundred and fifty (450) Job Opportunities through the Community Work Programme;
- Conducted three (3) Quarterly Business Inspections with the intention of ensuring that business operates through the business license and comply with the conditions thereof.

3.7.1 Economic Activity by Sector

The following graph summarises the GVA- R for the sectors in the Endumeni and has been highlighted above. As can be seen, the highest contributors to the GVA of the municipality are Community Services, followed by Households, Trade, Agriculture and Manufacturing. Each of these sectors will be analysed in more detail.

Chart 2: GVA Sectoral composition

GVA-R Sectoral composition
Endumeni Local Municipality (KZN241), 2010

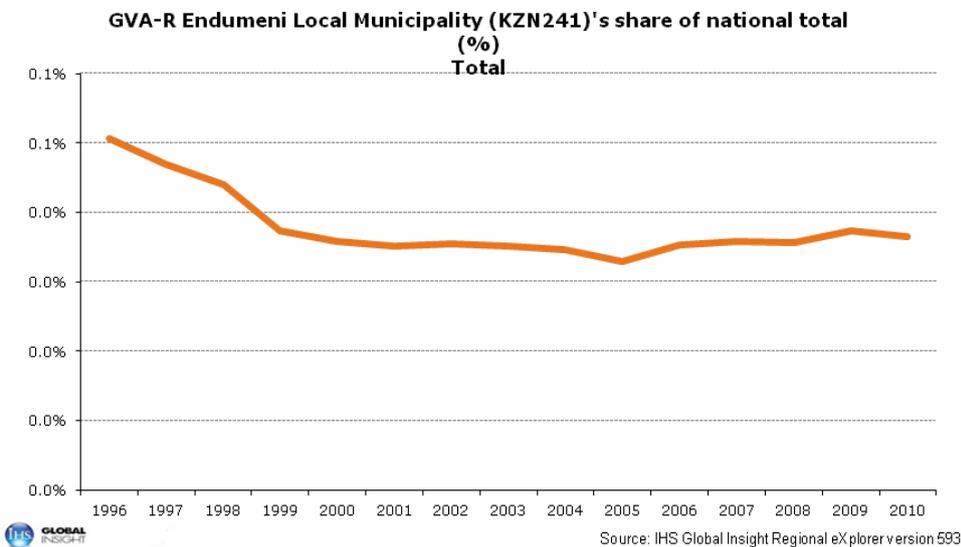


Source: IHS Global Insight Regional eXplorer version 593

The analysis of sector composition clearly indicates the dominance of tertiary industries in our local economy. The understanding of the potential of primary sector in the Endumeni area brings hope that if innovative and creative strategies are devised then the primary sector can claim its place in the economy of the area and UMzinyathi as a whole.

The following graph summarises the contribution of the total industries in the Endumeni to the national total. As can be seen from the graph, the total contribution to the national share has declined from 0.1% in 1996 to 0.03% in 2010.

Graph 13: Industries share of national total



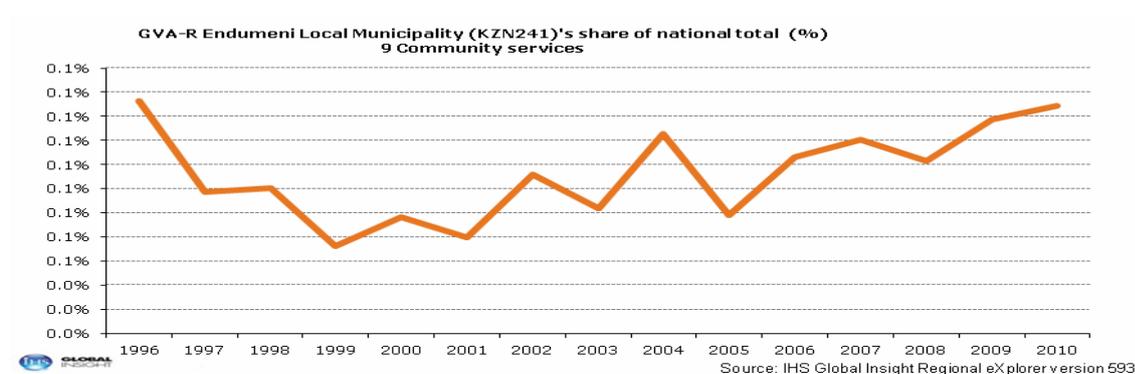
Source: IHS Global Insight Regional eXplorer version 593

3.7.2 Community Services

The following graph summarises the performance of the Community Services sector, which has the largest contribution to the GVA-R in the Endumeni, from 1996 to 2010. As can be seen, there was a decline in the Community Services sector from 2004 to

2005 where after there has been a period of gradual growth with short periods of decline. The Community Services sector, during the period 1996 to 2010, has seen its contribution increase from 23% to 33% the regional total.

Graph 14: Community services share of national total

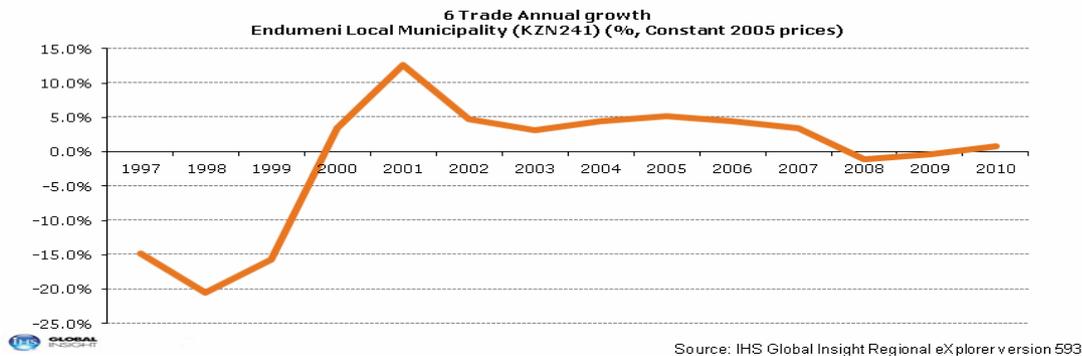


This sector has enjoyed a significant growth rate from 1996 to 2009. There was a growth in the sector in 2005 of 1.5%, followed by a sustained period of growth at a decreasing rate from 2006 onwards. The average growth rate from 1996 to 2009 for this sector was 0.4% per annum.

a) Trade

The following graph summarises the contribution of the trade sector in the Endumeni to the regional total. As can be seen, there has been a gradual decline in the trade sector from 2001 to 2008 with the Endumeni contributing less than 5.7% to the regional total.

Graph 15: Trade annual growth

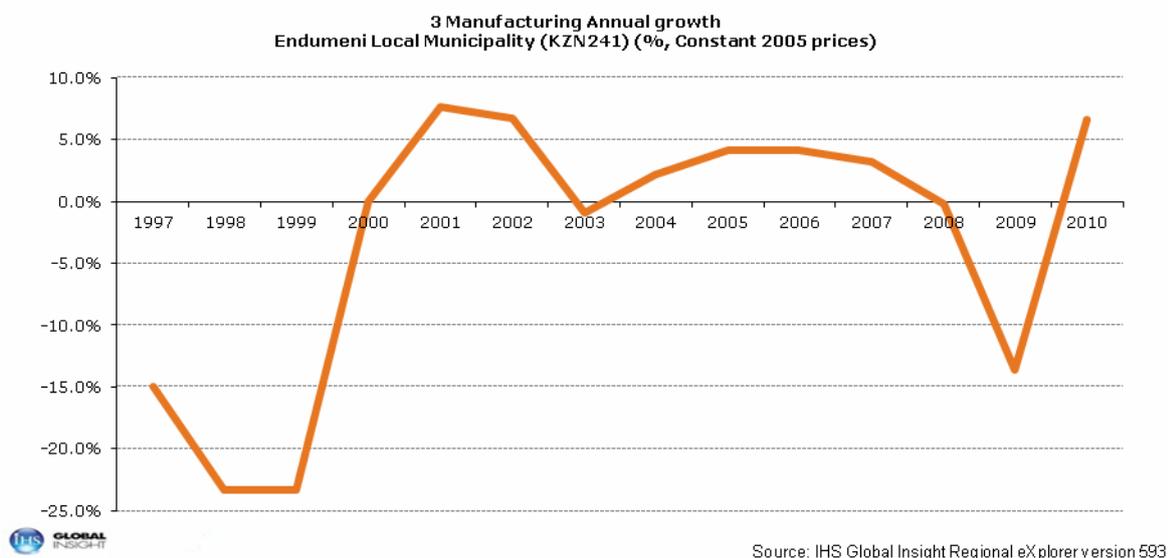


This sector experienced the marginal annual growth rate from 1996 to 2010. As can be seen, the sector enjoyed a period of sustained growth from 2000 to 2001 and peaked at a growth rate of around 4.8% per annum. From 2003 onwards, however, the sector went into decline as a possible result of the global financial crisis. The average annual growth rate for this sector from 1996 to 2010 was -1.1% per annum.

b) Manufacturing

The following graph summarises the contribution of the manufacturing sector in the Endumeni to the regional total. As can be seen, there has been a gradual decline in the manufacturing sector from 1996 to 2010 with the Endumeni contributing less than 0.1% to the national total.

Graph 16: Manufacturing Annual growth



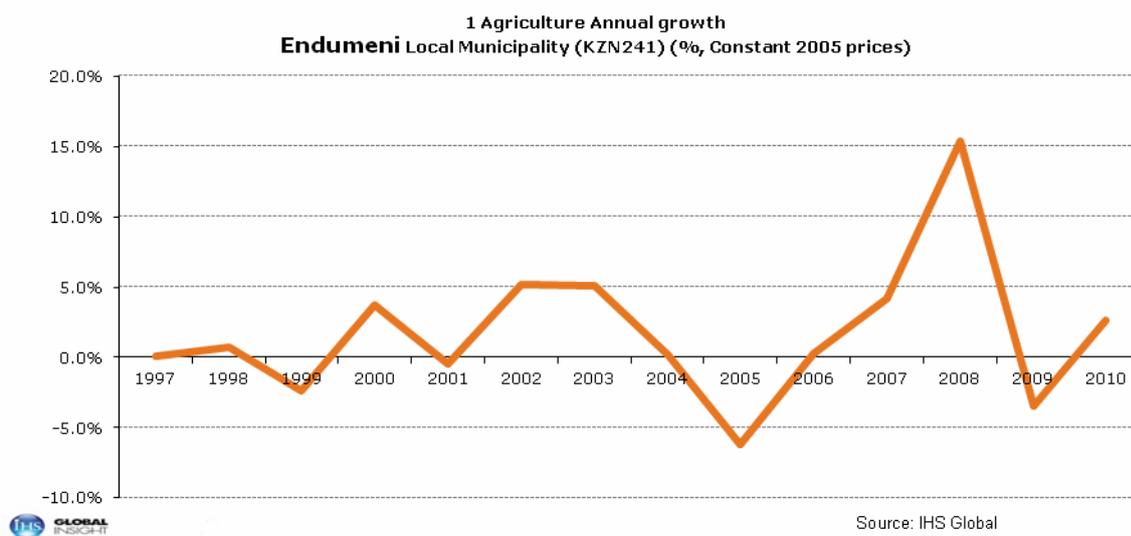
The above graph summarizes the annual growth in the manufacturing sector and indicates that from 1998 to 2001 there was negative growth in the Manufacturing sector followed by positive growth from 2000 to 2001. From 2008 onwards the sector

has declined at an alarming rate of up to -10% per annum. The average annual growth rate for this sector from 1996 to 2009 was -3.6% per annum.

C) Agriculture

As can be seen from the graph below, the Agriculture sector in the UDM has been range bound in its contribution to the national agricultural total and has contributed between 0.7% and 0.9%.

Graph 17: Agricultural annual growth



The above graph summarises the growth in the Agricultural sector from 1996 to 2010. The statistics indicate that there have been four periods of decline or negative growth rates in the sector namely 1996/7, 2005, and 2009 onwards. The data also indicates that for 2006 to 2010 the sector grew at its highest rate of 8% per annum. The average growth rate for this sector from 1996 to 2010 was 1.7% per annum.

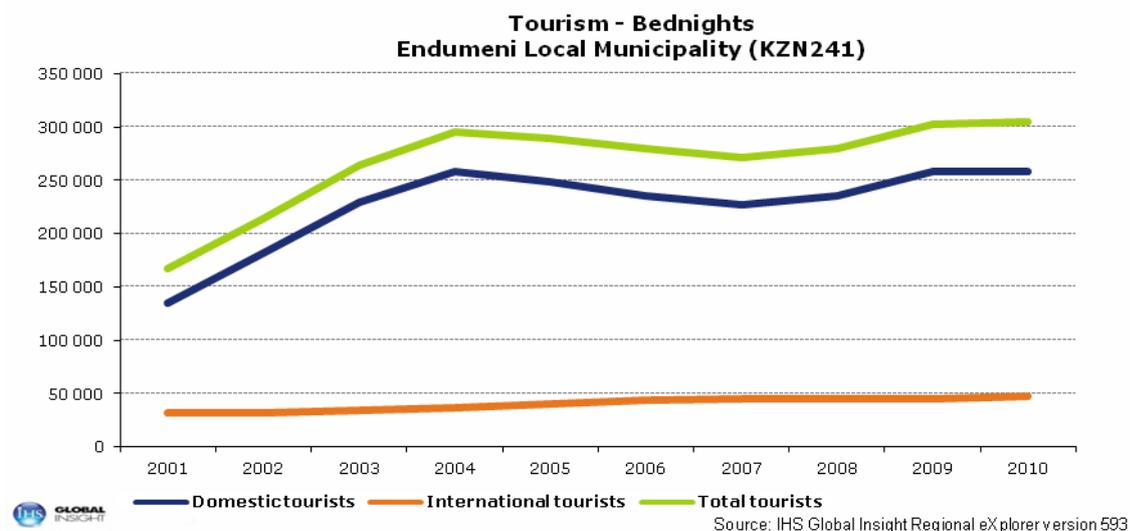
d) Tourism Sector

Tourism sector is one of the potential sectors in developing and growing the local economy. It has over the years displayed a tremendous potential to create job

opportunities. The graph attempts to shed light on the attractiveness of Endumeni to both domestic and international tourists.

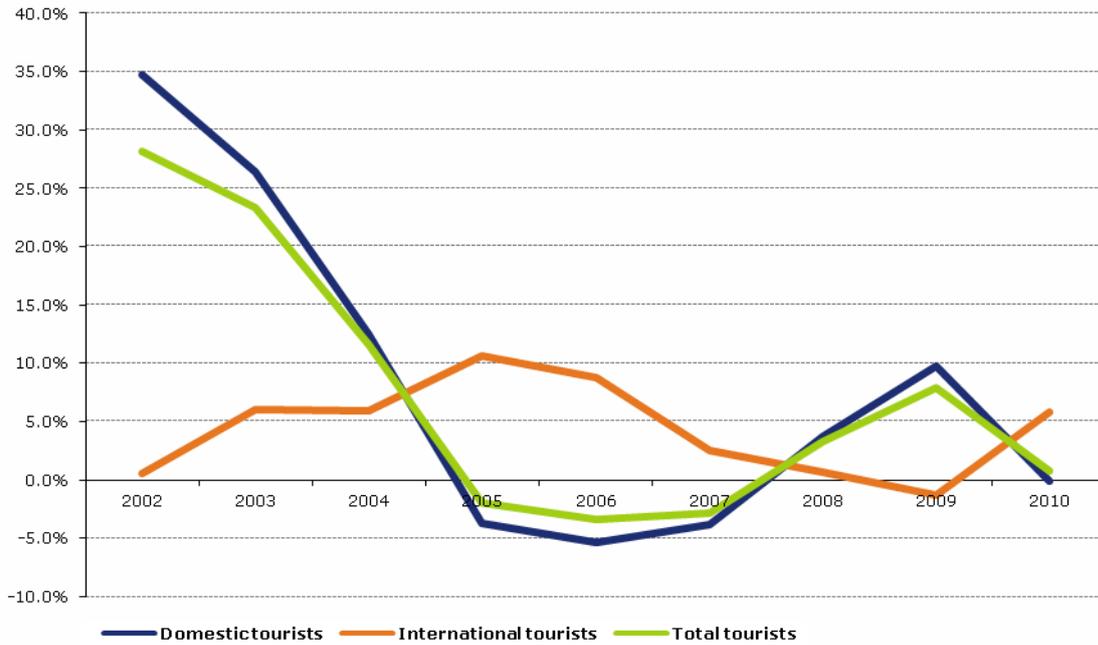
Domestic tourists have found Endumeni and UMzinyathi at large more attractive over the recent years. While the number of visits and bed occupied over a period of time show signs of improvement, there is still a need to market tourism products vigorously. The international tourists have spent money in UMzinyathi especially during year 2010. This could easily be attributed to the FIFA world cup that was staged in South Africa during the same year.

Graph 18: Tourism Bed nights



Graph 19: Growth in Tourism

**Growth in Tourism
Endumeni Local Municipality (KZN241)**



Source: IHS Global Insight Regional eXplorer version 593

The sector has experience mixed fortunes in Endumeni. The sector has enjoyed positive growth from 2007 to 2009 and immediately experienced a downturn until 2010. But during the same period the international tourists have paid more visit to Endumeni than domestic tourists. Again, this sector needs more attention from all stakeholders. Currently the previously advantaged communities are participating meaningfully while previously disadvantaged are not yet on board in terms of understanding sector dynamics.

3.7.3 Expanded Public Works Programme (EPWP)

Endumeni Local Municipality is also committed in training and developing communities through the EPWP programme, thereby promoting economic growth and creating sustainable development, and employment opportunities During the year under review, the municipality obtained R1 218,000.00 from EPWP and was utilized for the application of general work for the benefit of the local community from the following sections: refuse removal, parks and gardens, civil and electrical.

The total number of 64 job opportunities were created from the beginning of the project. The majority of participants were women and youth.

COMPONENT D: COMMUNITY& SOCIAL SERVICES

3.8 LIBRARIES, ARCHIVES, MUSEUMS AND COMMUNITY FACILITIES

Membership Registration Library is a growing organism, the number of newly joining members for year 2018/2019 has increased. The total overall number of members joined municipal libraries in Dundee, Sibongile, and Glencoe is 803.

In terms of the Developmental Programmes, the department of Arts and Culture proposed that all libraries in KZN should establish Chess Clubs. Sibongile Library hosted a Chess competition in December 2018 which was very successful. Library services promoted access to information through the entire community of Endumeni as stipulated by Batho Pele principles. The museum is open to the public and schools, and still continues to teach this generation about the history of the town.

3.9 CEMETERIES AND CREMATORIUMS

The Endumeni Local Municipality has 8 grave sites, Dundee - 4; Glencoe – 3; Wasbank - 1. Cemeteries are maintained on a weekly basis, namely scooping & cutting of grass, which is seasonal. Constant inspection is done by the Supervisor for the monthly report consolidation. The municipality has a target of digging a minimum of 16 to 20 maximum graves per week. This would then translate that 4 graves are dug every day. There is a procedure followed regarding the request of graves. The applicant must produce a burial order obtained from Home Affairs; the grave is booked via filling in an application form that is recorded in the booking board. Grave numbers are allocated every Friday in preparation for weekend burials.

3.10 CHILD CARE, AGED CARE AND SPECIAL PROGRAMMES

During the year under review, there are programmes which were implemented to advance the social conditions of the community, and especially of the disadvantaged, by providing psychological guidance, and assistance. These programmes seek to promote innovative ideas as well as to identify and reward opportunities promising substantial societal benefits or demonstrating best practices with tangible, scalable outcomes. It aims to create social value in relation to the fight against social exclusion. The social development programmes implemented are as follows:

PROGRAMME	DATE	OFFICE	PROJECT DESCRIPTION	IMPACT
CRECHES ROADSHOWS	Ongoing	Arts & Culture	Visits are done to all creches and pre-schools around Endumeni area	Health and safe environment for the kids
LEARN AND PLAY	April	Arts & Culture	The culture of learning and playing is instilled to the youngsters.	Highly educated society
DISABILITY SUMMIT	May	Arts & Culture	The disability sector will benefit knowledge as different government sectors present their disability programmes.	People living with disability get a sense of belonging to the community
MAIDEN CAMP	April/May	Arts & Culture	Young women are protected from the social ills that includes drug abuse, teenage pregnancy, etc	Less teenage pregnancy rate and HIV infection

DISABILITY ROADSHOWS	June/July	Arts & Culture	Identification of people living with disability in Endumeni Municipal area	More disabled people would be part of the society
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3.11 MUNICIPAL ANNUAL EVENTS

Name of Event	Venue of the Event
Mayoral Imbizo	Sithembile
District Cultural Event	Enyokeni, KwaNongoma
Rural Horse Riding	Endumeni Recreational Grounds
Councillor Constituency week	Craig site Ward 6
Clean up campaign	EThangeni Hall Ward 2

COMPONENT E: SPORTS & RECREATION

3.12 SPORT AND RECREATION

The Endumeni Local Municipality has twenty buildings which are maintained, a monthly report is drafted for the purposes of reporting. There are permanent municipal employees that are employed to look after the premises.

The municipality has a year plan which stipulates seasonal maintenance of parks. In Spring, it's planting of new trees. In Summer (rainy season) the grass is cut every fifteen days. In winter there is trimming of trees. Throughout the year, there is constant maintenance of the play facilities within the park. As a monitoring tool, team leaders are appointed and the supervisor always play an important role. All parks within the municipal area are maintained according to the maintenance plan. A monthly report is then submitted to the Executive Manager Technical Services which reflects maintenance and work done.

There are three swimming pools within the municipal area which are in Peacevale, Sibongile and Glencoe. During winter, the swimming pools are closed and maintenance is conducted during that period. In summer, the swimming pools are fully functional and there is a life guard posted in each swimming pool within the Endumeni Municipal area.

COMPONENT F: ENVIRONMENTAL PROTECTION

3.13 STRATEGIC AND ENVIRONMENTAL ASSESSMENTS

The goal of the municipality is to protect, enhance and expand the existing environmental assets base within exiting urban and built areas but also to utilise the opportunity to establish a more robust and integrated open space system within the undeveloped and agricultural areas that will directly meet the needs of the local communities, as well as, respond to wider municipal and regional environmental planning needs with regard to environmental services planning and management.

The following is relevant in this regard:

- Maintaining a sustainable supply of environmental goods and services
- Provide for climate change preparedness
- Protection and rehabilitation of natural resources and environment
- Protection and provision of agricultural resources and assets
- Protection and enhancement of environmental assets to meet the needs of the Community, as well as local and district planning. This includes
 - agricultural resources
 - the open space system
 - recreational opportunities
 - tourism opportunities
- Protecting the open space system as a primary spatial structuring element
- Provide for integrated environmental planning and management, especially with regards to catchment management
- Specific objectives include: Restricting erosion of the upper reaches of the Buffels, Blood, Sterkstroom, Mzinyashana, Wasbank, Nsuze and Sandspruit Rivers
- Identifying opportunities for linking fragmented open space elements in the built up areas of Dundee and Glencoe

Early identification and protection of core and amenity open space elements in the various river systems. Protection of conservation areas for eco-tourism opportunities i.e. Aden Lloyd Nature Reserve, Kamelkop, Ilanga Game Ranch, Botha Group Game Ranch etc. Protection and enhancement of areas of cultural and historical significance i.e. Fort Pine, Alana Museum, Maria Ratschitz Mission, Karel Landsman's House etc

COMPONENT G: SAFETY AND SECURITY

3.14 FIRE AND DISASTER MANAGEMENT

The Disaster Management Act 57 of 2002, section 43 outlines and requires all spheres of government, all sector departments, communities and businesses working together to reduce the risk of disasters and to ensure that arrangements are in place to minimise the impact of disasters within the community. It is for this reason that local governments have their own arrangement in terms of prevention, responding and recovering from disasters.

Endumeni Municipality have a fully functionally Disaster Management and Fire Rescue Services Unit; attend to disaster incidents serious, major and minor with an intention of providing relief materials to the affected communities. The municipality ensures that all disaster calls reported are attended to in a coordinated and given necessary intervention, with key objectives of the Disaster Management which includes:

- (i) Fire Fighting;
- (ii) Fire Inspections;
- (iii) Disaster Assessments; and
- (iv) Rescue Services.

Umzinyathi District Municipality Disaster Management Risk Centre was established in August 2003, and is fully functional 24 hours a day, 7 days a week. Endumeni Local Municipality is aligned to the district Disaster Management Plan.

3.15 DISASTER MANAGEMENT PERSONNEL

Endumeni Local Municipality has a Disaster Manager and Disaster Officer. There is also a Fire Station Officer and eight Fire Fighters. The district municipality also supports the municipality with disaster management volunteers. Disaster Management Volunteers have been active for many years and have played an important role in alleviating the effects of many major incidents and disasters within the Endumeni jurisdiction area.

3.16 OVERVIEW OF DISASTER MANAGEMENT

During the year under review, the municipality reviewed its Disaster Management Plan for implementation. All incidents reported were successfully attended. Vigorous awareness campaigns were also conducted to prevent and mitigate the effects of disasters including fire drills. Lightning conductors were also installed to homes that had experienced lightning strikes.

3.17 TRAFFIC MANAGEMENT (SAFETY AND SECURITY)

During the year under review, the municipality had twelve (12) Traffic Officers, Two (2) Managers and One (1) Senior Manager which were responsible for traffic management including safety and security within the municipal jurisdiction area. They were also responsible for issuing of 2619 fines which were ranging from driving above the speed limit, driving while on the cellphone, unroadworthy vehicles, driving with no seatbelt, unlicensed and unregistered vehicles, failing to make a stop at the robots, jumping of stop signs, driving with no drivers licences etc.

The value of the fines issued was R 2 638 000.00 but the municipality managed to collect R 398 340.00 as at the end of June 2019, but processes of collecting the remaining balance are underway. There were also warrant of arrest and summons issued as part of recovering the monies being owed and to comply with the fine conditions. During the year under review, the municipality through the Traffic Testing Station managed to generate revenue to the amount of R 2 648 560.00

COMPONENT H: 2018/19 ANNUAL PERFORMANCE REPORT

In terms of the Section 46 of the Municipal Systems Act No. 32 of 2000, as amended, requires a municipality to prepare an annual performance report for the year under review, which becomes a component of the Annual Report. For the 2018/19 financial year, the municipality prepared the Annual Performance Report which was submitted to the Auditor General at the end of August 2019 for auditing purposes.

During the year under review, the municipality had a total number of 108 Key Performance Indicators (KPI's) that were measured and reported on. A total number of 69 KPI's were achieved and 39 were not achieved. There is a decrease of 5% to 64% of KPI's achieved in the 2018/2019 financial year compared to the 69% achieved in the 2017/2018 financial year. The Audited Annual Performance Report is attached herewith as Annexure A.

CHAPTER 4- ORGANIZATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 INTRODUCTIONS TO THE MUNICIPAL WORKFORCE

The municipality approved the 2018/2019 organizational structure which was aligned to the IDP in order to improve its operational capacity. The revised structure contributes positively to the organization in terms of service delivery. During the year under review, the municipality had a staff complement of three hundred and sixty three (363) for 2018/2019 financial year, which indicates that the municipality is strengthening its capacity in order fulfil its service delivery mandate. The approved structure of the municipality had four hundred and fifty seven (457) posts of which forty four (44) were vacant but will be filled as and when the need arises.

4.2 OCCUPATION AND GENDER EQUITY ANALYSIS

An analysis of the staff by gender and occupation has been undertaken. The analysis applies to the staff distribution excluding the new posts to be filled since gender and employment equity needed to be considered in relation to the potential candidates for the new positions.

The distribution of staff by occupation, group and gender is shown below:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1	0	0	0	0	0	0	0	1
Middle Management	13	0	0	2	4	0	1	0	20
Professionally qualified and junior management	17	1	6	11	17	0	5	4	61
Semi-skilled	26	1	0	2	24	4	8	6	71
Elementary Occupation	139	4	2	1	60	1	2	0	209
Grand Total	197	6	8	16	105	5	16	10	363

The breakdown in terms of salaries paid to staff members during the year under review is as follows:

2018/19 Operating Budget	Budget for Salaries	Amount spent on staff salaries	% salaries spent of total operating budget
R318 338 641	R123 734 508	R111 809 502	35%

4.3 EMPLOYMENT EQUITY PLAN

In accordance with the Employment Equity Act (No 55 of 1998), the municipality has a five year plan which seeks to address the numerical goals in the terms of demographics within the municipality. The municipality managed to achieve its numerical goals.

4.4 WORKPLACE SKILLS PLAN

In accordance with the Skills Development Act and Skills Levy Act, municipalities have to prepare and review the Workplace Skills Development Plan. During 2018/2019, the municipality reviewed and implemented the Workplace Skills Development Plan as required by the said Act. The plan seeks to address employee's skills development, scarce skills and also skills audit of the municipality.

The municipality is registered with the Local Government Sector Education and Training Authority (LGSETA), and skills development relating to all levels of employees functions have been undertaken and integrated into the plan. During the year under review, 68 employees, 6 Councillors and 6 ward committee members were trained on various skills development as part of the Workplace Skills Plan. Skills audit has been undertaken to determine the employee training needs, and these training needs formed part of the Workplace Skills Plan. The municipality is committed in training and developing its employees thereby improving productivity levels.

4.5 RETENTION STRATEGIES

Generally, employers want to hire people who will stay with the company. For obvious practical reasons, employers don't want to hire chronic job-hoppers. The cost of recruiting, selecting and training new staff can be extremely high. Turnover is a valuable and useful non-performance criterion because it measures employment stability. Many factors should be considered in the measurement of turnover. One is *voluntariness* (whether the employee was dismissed, resigned to take another job with better promotional opportunities, or resigned because of dissatisfaction). Another factor is *functionality* (whether the employee was performing the job effectively or ineffectively). Research reports are replete with studies which measured the relationship between turnover and performance, which concluded that poor performers were more likely to resign voluntarily than good performers. On the other hand, conventional wisdom is such that an employee who resigns is probably appraised better than an employee who was dismissed. However, some organisations will allow an employee to resign to improve his or her prospects of getting another job, this clouds the value of turnover as a measure of performance.

The attitude towards job-hoppers has also changed over the years. Twenty years ago, job-hoppers were viewed with some suspicion at management level: they seemed unstable and unable to hold a job for long. Today, however, job-hoppers are regarded more positively. Exposure to different jobs is taken to mean that they have more breadth of experience. This is an example of how the same behavior (turnover) acquires different interpretations over time.

A retention strategy adopted by the council must take the above into account and, be flexible enough to enable the retention of employees with scarce skills and be responsive enough so as to mitigate against the loss of institutional memory. Whereas the Municipality has a succession plan policy in place which is up for review during the current financial year, amendments shall be effected to make it more enabling in addressing the needs referred to above, and it shall be rigorously implemented with renewed vigor.

4.6 SKILLS TO BE RETAINED

(a) Scarce skills: Scarce skills are those skills that are needed to realize the Department's goals and objectives, but which are difficult to recruit and expensive to replace.

(b) Valued Skills: Valued skills are those skills that are not classified as being scarce skills. Examples are employees with qualifications that are valuable to possess and positively contribute to the service delivery goals of the Municipality and the loss thereof will have a negative impact on a Department's ability to meet its goals.

(c) High – Risk skills: High – risk skills are the skills that an employee has attained over a long period of time pertinent to the department through years of service experience and such employee has indicated his/her intention to leave soon.

The list of skills that need to be prioritized in terms of recruitment; retention as well as in our skills development plan is gazetted annually, as Occupations in high demand by the Minister of Higher Education, as the shortage of these skills affects the Municipality as it does every other employer in the country. Occupations in High Demand refers to those occupations that show relatively strong employment growth and/or are experiencing shortages in the labour market or which are expected to be in demand in the future.

According to the latest list, Gazette No. 41728, Vol. 638, 22 June 2018, the following occupations are in the top 10 of those occupations in high demand:

- i. General Manager Public Service
- ii. Senior Government Official
- iii. Senior Government Manager
- iv. Chief Financial Officer
- v. Finance Manager
- vi. Management Accountant
- vii. Payroll Manager
- viii. Credit Manager

- ix. Internal Audit Manager
- x. Corporate General Manager

As can be seen from the above list of professions, the Municipality has in its employ professionals in at least eight of the occupations in the top ten of those occupations in high demand.

It becomes therefore a no-brainer that, we should be taking pro-active steps to prevent finding ourselves in a crisis where we are trying to recruit in these fields after having failed to retain these professionals.

4.7. LINK STAFF RETENTION WITH AN EFFECTIVE RECRUITMENT AND SELECTION PROCESS.

A lot of staff losses are caused by bad selection decisions where the wrong person is appointed for the job. To prevent this, accurate job descriptions must be developed that clearly identifies the core competencies required for successful performance. These job descriptions must be used during the recruitment and selection process. In some cases it has also been shown to be good practice to “hire for capabilities and train for skills”. This is where a person is appointed because he/she has the right capability to be able to do the job even though they may not have the necessary skills required since these can be attained through training.

4.8 LINK STAFF RETENTION TO AN EFFECTIVE INDUCTION PROCESS

Best practice studies show that the first few weeks of employment are important for establishing employee commitment to equipment. It is therefore essential that Managers and human resource practitioners lay the foundation for future commitment by being part of the induction process. A good way of addressing this is to have well-structured and dynamic induction programs that stretches from the employee's first day of work until they have been thoroughly introduced to their jobs. A useful tool in this regard is to develop a new employee guide that can be given to employees to read even if they have not started working.

CHAPTER 5- FINANCIAL PERFORMANCE

5.1 REVIEW OF THE MUNICIPALITY'S FINANCIAL POSITION, EFFICIENCY AND EFFECTIVENESS

Endumeni continues to face infrastructural and organisational challenges, which the town had to deal with in the past year as a result of:

- stagnant economic growth and lack of employment opportunities in the town;
- no industries situated within the municipal area;
- having aged infrastructure which has is poorly maintained, leading to patchy service delivery; and
- culture of non-payment for rates and municipal services.

However, in addition to these, the town in general is affected by the continuing economic deterioration in South Africa as a whole. Endumeni Municipality still finds itself in a period of near-to-zero growth. Very little new development is taking place to grow the town. The town is also vulnerable to uncertainties resulting from South Africa's slow recovery from the recession, the potential economic repercussions. There are still many developed and undeveloped properties for sale in the town and many businesses have been closed and continue to become non-viable.

Furthermore, the National Treasury is coming under increasing pressure as a result of not achieving revenue budget targets and this would result in higher national taxes but also constraints on grants to provinces and municipalities, further leading to inflationary pressure to increase the local tariffs for the provision of services in the light of a perception that Endumeni Municipal residents costs are becoming unrelated to value for money.

In spite of the low-growth scenario and closure of many businesses, the municipal ratepayers, a large proportion of whom are people with limited means, have contributed 5,6% more to revenues than in the previous year, which is within inflation. Council will, therefore, need to consider very carefully the practical limits of raising rates and service charges in the next few years.

5.2 OVERALL ASSESSMENT OF THE FINANCIAL POSITION

Cash flow from operations still appears to be a serious challenge for the municipality. Ineffective billing and cash-collection processes have hampered progress on meeting service delivery needs. The debtors collection rate is still unacceptable and there are still signs of possible cash flow difficulties even though there has been a continuing initiative to improve revenue collection.

5.3 LIQUIDITY MANAGEMENT

Cash to Cost-coverage Ratio, which measures the municipal ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, indicates 1,2 months compared to 1.63 months in year 2018 and is in the lower end of the norm of 1 to 3 months. This trend is further borne out by the next two ratios, which show deteriorating, liquidity:

The Quick Ratio: which measures the ratio of current assets excluding receivables and inventory against current liabilities, has increased slightly from 0.73 in year 2018 to 0.75 in 2019. As the norm in this case is 1.00, this indicator also suggests the possibility of a potential liquidity problem.

The Current Ratio: which measures current assets against current liabilities, remained the same at 1.29 in 2018 and 2019. This is below the norm of 1:50 and 2:1. This ratio indicates the municipalities ability to utilize its near cash assets to pay for its short term liabilities as they become due. The fact that these three ratios are below indicates a deterioration in cash management and hence the flashing warning lights.

5.4 DEBTORS MANAGEMENT

Debtors Collection Rate: This ratio shows the level of payments in relation to billings for collectable debtors at financial year end and was 92%, which is below the target recommended by National Treasury of 95%. In particular, this highlights the opportunity cost of not assiduously pursuing more effective means of collecting revenue.

Net Debtors Days:

This Ratio adjusts for Municipality's who have had significant write-offs of Irrecoverable Debtor balances in the Gross Debtors Days analysis as it only assesses the performance of collectable Debtors. In addition, it provides an indication of the quality of credit control policy, effectiveness of the implementation thereof and quality of revenue management.

If the ratio is above the norm, this indicates that the Municipality is exposed to significant Cash Flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition this indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve its revenue and cash flow management

Endumeni Municipality net debtor days to receive payment for bills for services is 37 days. This figure exceeds the norm of 30 days and indicates that the Municipality continues to be exposed to significant cash flow risk and is facing challenges in the collection of outstanding amounts.

Bad Debts: The amount of Bad Debts written off during the year was R4,3 million. Despite this write off during the year an additional provision for doubtful debts of R13 million was recorded for the year.

5.5 LIABILITY MANAGEMENT

Creditors Payment Period: This represents the average number of days it took for the Municipality's creditors to be paid. For the year under review the municipality has paid all creditors within 30 days from date of receipt of invoice and the norm is 30 days. National Treasury Circular 71 points out that, *"a period of longer than 30 days to settle creditors is normally an indication that the Municipality may be experiencing cash flow challenges."*

Invoices paid after 30 days are only invoices that may be in dispute and are being held back for verification. The municipality has sufficient working capital to fund the operational activities of the municipality."

Long Term Loans: The municipality does not have any long-term borrowings.

5.6 ASSET MANAGEMENT/UTILISATION

Capital Expenditure: Total capital expenditure was R19.5 million compared to last year's R37.2 million. The spending in the prior year was accelerated and R6,4 million was utilised from internal funds for the Mcphail drive road and the Sithembile media centre.

In the current year there was also an underspending on INEP and MIG funds amount to R4,9 million. The vacancies at key management level during the financial year has impacted on the sitting of bid committees. Key management have now been appointed and the municipality is expected to ensure full spending in the 2019/2020 financial year.

The expenditure on REPAIRS AND MAINTENANCE increased marginally in 2019 to R10,9 million from R9,7 million in 2018. As a percentage of Property, Plant and Equipment, R&M increased from 3.5 % in 2019 to 3.2% in 2018. Again, this was well below the norm of 8.0%. In view of the neglect of the Municipality's infrastructural assets over many years, there need to be further substantial budget increases over the next few years. However, the consequences of this neglect might still in future involve significant rehabilitation work or even replacement of technologically out-dated and unserviceable infrastructure, which would place a further financial burden on the Municipality.

5.7 REVENUE MANAGEMENT

Growth in Active Consumer Accounts: It is important when making policy decisions on revenue to be able to assess all aspects of the revenue base, especially in the potential growth of the number of active consumer accounts. This analysis assists Council to assess the real growth in its paying customer base versus growth due to tariff and inflationary adjustments. In the light of the above, the fact that the number of active debtor accounts increased slightly from 13920 in 2019 to 12983 in 2018 is welcome news in view of the challenging circumstances faced by the town.

A revenue enhancement action plan has been drawn up and will need to be implemented and monitored to ensure the financial sustainability and to improve revenue collection.

More intensive efforts should also be made to curb the theft of electricity and also to find other sources of revenue, from domestic and overseas sources, for local economic development and other projects. Growth in the customer base is crucial to the town's future.

Revenue Growth: Total revenue from all sources increased from R306,4 million in 2018 to R322.4 million in 2019. This followed an increase of 5% in 2019. Taking capital grants out of consideration, revenue increased by only 3.4% to R239.4 million. The increases over the last two years were well below the inflation rate (which is the norm), and reflects either the difficult economic conditions or inadequate revenue collection or both. The government grants and subsidies revenue for 2019, at R83 million, were R8.1 million more than in 2018.

5.8 EXPENDITURE MANAGEMENT

Irregular, Fruitless & Wasteful and Unauthorised Expenditure: The total of such unauthorised expenditure was R20.3 million which includes an amount of 10.7 million from the prior year. Unauthorised expenditure result from overspending on non-cash line items being the depreciation and debt impairment. More prudent budgeting will need to be done to ensure that this expenditure is adequately budgeted for.

Irregular expenditure amounted to R118,8 million with an opening balance of R74,7 million that still needs to be investigated by the council. The main reason for the significant amount of irregular expenditure is due to bid committees not being properly constituted in accordance with the regulations which requires an SCM practitioner to be a Bid adjudication committee member. Due to the size of the municipality and the resource constraints, only the Head of Departments are members of this committee. Management is engaging with the Auditor General and the Provincial Treasury to resolve this matter.

Fruitless and wasteful expenditure also increased by R148 332.00. More stringent controls need to be implemented in this area. Quite obviously the National Treasury target is zero percent.

Remuneration of Employees & Councillors: Employee-related costs increased by 9,3% to R115.9 million, and as a percentage of total operating expenditure is 38% for both 2019 and 2018 financial years. This is within the norm of 25.0 to 40.0%.

5.9 SUPPLY CHAIN MANAGEMENT

During the year under review, the main focus of SCM was to improve on compliance relating to tender processes. As a result, the annual spend on deviations came down from R 57 856 737.00 to R 44 124 559 871.00. A formal training session was held for bid committee members to capacitate them on the SCM processes. Two sessions for suppliers were also held to provide them with information on the SCM processes.

The Endumeni Municipality Supply Chain Management Policy was approved by Council during June 2018 in terms of these Regulations. The competitive bidding process and bid committee structures are functioning effectively. Members of the bid committees are required to declare to undertake the following:

- That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard;
- To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and
- To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

The members of the Bid Committees have duly undertaken to uphold the confidentiality, to be fair in all dealings and to declare their personal interests, if any. None of the members had conflicts of interest to declare. The Endumeni Municipal SCM process takes a minimum of 60 and up to 90 days to complete depending on the complexity of the project as well as objections received during the process.

The applications for deviations are monitored continuously in an attempt to reduce the incidents and specifications for competitive bidding processes are requested immediately upon identification of recurring deviations. Improvements for the financial year related to annual spend on deviations that were much less and training was provided to bid committee members.

5.10 STATEMENT OF FINANCIAL POSITION

Endumeni Local Municipality Statement of Financial Position as at 30 June 2019			
	Note	2019	2018 RESTATED
		R	R
ASSETS			
Current assets		73 913 123	64 440 791
Inventories	2	6 446 923	6 682 075
Bank balances and cash	3	5 281 198	10 126 507
Current portion of non-current receivables	4	0	0
Trade and other receivables from exchange transactions	5	9 123 195	4 923 279
Trade and other receivables from non-exchange transactions	6	15 161 586	13 024 577
Current investments	7	37 900 222	29 684 354
Non-current assets		366 528 181	350 196 342
Property, plant and equipment	8	309 475 668	302 150 483
Intangible assets	9	115 513	155 859
Investment property	10	56 937 000	47 890 000
Total assets		440 441 304	414 637 133
LIABILITIES			
Current liabilities		57 343 150	49 954 558
Trade and other payables from exchange transactions	11	32 019 852	35 941 582
Consumer deposits	12	5 122 224	4 820 657
VAT payable	13	3 047 189	2 456 426
Current provisions	14	3 401 335	2 630 737
Current portion of unspent conditional grants and receipts	15	13 752 551	4 105 156
Non-current liabilities		63 339 724	61 903 209
Non-current provisions	14	13 364 392	12 929 422
Defined benefit plan obligations	44	49 975 332	48 973 787
NET ASSETS		319 758 430	302 779 366
Housing Development Fund	16	4 548 969	4 447 628
Accumulated surplus / (deficit)		315 209 461	298 331 738
Total net assets		319 758 430	302 779 366

5.11 STATEMENT OF FINANCIAL PERFORMANCE

Endumeni Local Municipality			
Statement of Financial Performance			
for the year ending 30 June 2019			
	Note	2019	2018 RESTATED
		R	R
REVENUE			
Revenue from exchange transactions		147 607 397	146 508 661
Service charges	19	133 877 446	124 649 596
Rental of facilities and equipment	20	1 508 127	1 661 994
Interest earned - external investments	21	2 963 471	3 282 788
Licences and permits		4 119 369	4 006 709
Operational revenue from exchange transactions	23	5 138 984	12 907 574
Revenue from non-exchange transactions		174 819 278	159 950 941
Property rates	18	79 156 962	74 932 458
Property rates - penalties and collection charges		10 189 465	8 096 749
Fines		2 407 751	1 987 559
Transfers and subsidies	22	83 065 101	74 934 174
Total revenue		322 426 675	306 459 602
EXPENSES			
Employee related costs	24	111 809 502	101 827 546
Remuneration of councillors	25	4 104 787	4 262 379
Debt Impairment	5	13 928 457	12 906 692
Unwinding discount on landfill site provision	14	162 722	2 032 382
Municipal services cost		4 622 322	4 198 312
Depreciation	26	13 157 634	11 044 587
Amortisation	26	40 346	(47 581)
Finance costs	27	0	182 809
Bulk purchases	28	89 415 159	81 276 911
Contracted services	29	22 452 226	21 515 734
Operational costs	30	49 691 512	44 113 133
Retirement and long services benefits	44	4 660 244	2 748 727
Total expenses		314 044 911	286 061 631
Gain / (loss) on sale of assets	31	(1 727 085)	-
(Impairment loss) / Reversal of impairment loss	32	(17 223)	(212 227)
Gain / (loss) on fair value adjustment	33	9 047 000	610 000
Inventories: (Impairment loss)/ Reversal of impairment loss	32	(83 188)	(98 206)
Surplus / (deficit) for the period		15 601 269	20 697 538

5.12 STATEMENT OF CHANGE IN NET ASSETS

Endumeni Local Municipality				
Statement of Changes in Net Assets				
as at 30 June 2019				
	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
Opening balance as previously reported 2017	4 359 245	897 688	275 604 631	280 861 563
Reclassification of insurance reserve to surplus		(897 688)	897 688	-
Prior period error (Refer to note 37)			980 335	980 335
Restated Balance as at 30 June 2017	4 359 245	-	277 482 653	281 841 898
Restated Surplus for the year	-		20 697 538	20 697 538
Transactions for the year	88 383	151 547	-	239 931
Reclassification of Insurance reserve to surplus		(151 547)	151 547	-
Effect of rounding in the financial statements			(0)	-0
Restated Balance as at 30 June 2018	4 447 628	-	298 331 738	302 779 366
Surplus / (deficit) for the period			15 601 269	15 601 269
Transactions for the year	101 341	1 276 454		1 377 795
Reclassification of Insurance reserve to surplus		(1 276 454)	1 276 454	-
Effect of rounding in the financial statements			0	0
Balance at 30 June 2019	4 548 969	-	315 209 461	319 758 430

5.13 CASHFLOW STATEMENT

Endumeni Local Municipality			
Cash Flow Statements			
as at 30 June 2019			
	Note	2019	2018
		R	RESTATED R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
		306 675 957	298 737 834
Sales of goods and services		213 865 908	222 519 008
Transfers and subsidies		92 810 048	76 218 826
Payments			
		287 987 918	275 460 626
Employee costs		110 792 533	101 559 252
Suppliers		177 195 386	173 901 374
Cash generated from operations	34	18 688 038	23 277 208
Interest received		2 963 471	3 282 788
Interest paid		-	(182 809)
Net cash flows from operating activities		21 651 509	26 377 187
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)	8	(19 523 070)	(37 200 744)
Proceeds from sale of fixed assets		1 000 280	-
Proceeds from sale of investments		-	-
Purchase of intangibles	9	-	(86 100)
Decrease/(Increase) in Long term receivables		(59 726)	(72 925)
Net cash flows from investing activities		(18 582 515)	(37 359 770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(2 875 809)
Decrease/(Increase) in Consumer deposits		301 566	295 659
Net cash flows from financing activities		301 566	(2 580 150)
Net increase / (decrease) in cash and cash equivalents		3 370 560	(13 562 733)
Net cash and cash equivalents at beginning of period		39 810 860	53 373 593
Net cash and cash equivalents at end of period	35	43 181 420	39 810 860

5.14 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

Endumeni Municipality Statement of Comparison of Budget and Actual Information as at 30 June 2019														
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorized expenditure	Variance	Actual Outcome as % of Final Budget	2018 Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Financial Performance														
Property rates	85 684 470	15 015 000	100 699 470	-	100 699 470	89 346 427	-	-11 353 043	89	104	-	-	-	83 029 208
Service charges	152 530 915	-8 245 057	144 285 858	-	144 285 858	139 397 427	-	-10 408 412	93	88	-	-	-	124 649 696
Investment revenue	5 600 000	-2 000 000	3 600 000	-	3 600 000	3 953 471	-	353 471	82	53	-	-	-	3 282 788
Transfers recognised - operational	80 069 989	-22 069 800	58 011 189	-	58 011 189	57 751 706	-	-259 483	99	92	-	-	-	47 359 680
Other own revenue	21 057 268	-11 134 877	9 922 391	-	9 922 391	22 221 230	-	12 298 839	120	106	-	-	-	21 173 635
Total Revenue (excluding capital transfers and contributions)	344 972 652	-28 453 734	316 518 918		316 518 918	308 160 280		-10 358 638	97	89				279 465 108
Employee costs	131 531 957	-7 787 449	123 734 508	-	123 734 508	118 469 746	-7 264 762		94	89	-	-	-	104 576 273
Remuneration of councillors	4 593 957	-	4 593 957	-	4 593 957	4 104 787	-489 170		89	89	-	-	-	4 252 379
Debt impairment	7 443 668	2 000 000	9 443 668	-	9 443 668	13 928 457	4 484 789		147	157	-	-	-	12 906 692
Depreciation & asset impairment	5 676 000	2 828 849	8 404 849	-	8 404 849	13 215 203	4 810 354		157	237	-	-	-	11 259 234
Finance charges	-	-	-	-	-	-	-		-	-	-	-	-	-
Transfers and bulk purchases	86 958 209	4 014 500	90 972 709	-	90 972 709	89 960 589	-1 012 110		98	103	-	-	-	81 181 886
Grants	5 465 057	-5 165 057	310 000	-	310 000	-	-310 000		-	-	-	-	-	61 811 886
Other expenditure	3 813 378	-2 316 976	1 496 402	-	1 496 402	78 193 614	2 885 395		97	78	-	-	-	66 690 338
Total Expenditure	341 803 176	-2 316 976	339 486 200		339 486 200	315 872 406	-2 465 234		99	92				288 372 164
Surplus/(Deficit)	32 467 000	-5 228 000	27 239 000		32 212 500	23 313 395	-8 899 105		534	-285				27 604 464
Transfers recognised - capital	-	-	-	-	-	-	-		-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-		-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	32 467 000	-5 228 000	27 239 000		32 212 500	23 313 395	-8 899 105		534	-285				27 604 464
Share of surplus/(deficit) of associate	35 895 278	-5 502 500	30 392 777	-	30 392 777	15 601 269	-14 791 509		51	43	-	-	-	20 697 537
Surplus/(Deficit) for the year	35 895 278	-5 502 500	30 392 777		30 392 777	15 601 269	-14 791 509		51	43				20 697 537
Capital expenditure & funds sources														
Capital expenditure	45 178 400	-1 108 600	44 069 800	-	44 069 800	23 227 408	-	-5 533 145	77	51	-	-	-	48 713 180
Public contributions - capital	24 467 800	-85 000	24 402 800	-	24 402 800	18 898 855	-	-3 704 338	77	77	-	-	-	17 601 148
Borrowing	8 000 000	-	8 000 000	-	8 000 000	3 704 338	-	3 704 338	-	-	-	-	-	11 912 416
Internally generated funds	12 691 400	-1 023 600	11 667 800	-	11 667 800	654 215	-	-11 013 585	6	5	-	-	-	9 586 260
Total sources of capital funds	45 178 400	-1 108 600	36 069 800		36 069 800	36 069 800		-11 013 585	6	80				48 713 180
Cash flows														
Net cash from (used) operating	58 233 024	-53 713 966	4 519 058	-	4 519 058	21 651 509	17 072 451		473	37	-	-	-	26 377 187
Net cash from (used) investing	-45 178 400	21 108 600	-24 069 800	-	-24 069 800	-18 562 515	5 487 285		77	41	-	-	-	-37 369 770
Net cash from (used) financing	62 468 695	-13 115 124	49 353 571	-	49 353 571	43 181 420	-158 434		60	ND/0%	-	-	-	-2 960 150
Cash/ cash equivalents at the year end									87	69				39 810 890

A full set of the Audited Annual Financial Statements are attached herewith as Annexure B.

CHAPTER 6: AUDITOR- GENERAL AUDIT REPORT

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the Endumeni Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Endumeni Local Municipality set out on pages x to x, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Endumeni Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairment and provision – trade and other receivables

7. As disclosed in note 5 to the financial statements, the municipality made a material provision for the impairment of trade and other receivables, totalling to the current movement of R9,55 million (2017-18: R12,91 million). This was due to debtors accounts that remained unpaid over a long period. The actual bad debts written-off amounted to R4,38 million. The write-off relates to consumers, who were subsequently declared indigent.

Material losses – electricity

8. As disclosed in note 42,5 to the financial statements, material electricity distribution losses of R38,18 million (2017-18: R25,77 million) were incurred. Technical losses amounted to R12,06 million (2017-18: R10,90 million) and non-technical losses amounted to R26,68 million (2017-18: R17,98 million), which were mainly related to theft.

Other matter

9. I draw attention to the matter below.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.
12. In preparing the financial statements, the accounting officer is responsible for assessing the Endumeni Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for **objective 2 – basic service delivery**, set out on pages x to x, as presented in the annual performance report of the municipality for the year ended 30 June 2019.
18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

Objective 2 – basic service delivery

Various indicators – reported achievement not agreeing to audited value

20. The reported achievements of the indicators in the table below, as listed in the annual performance report, did not agree to the supporting evidence provided for auditing.

Indicator description	Reported achievement	Audited value
% of MIG Expenditure by 30 June 2019	100%	93,65%
Number (and percentage) of existing consumer units with access to electricity	46 677	13 532
Number (and percentage) of new consumer units with access to electricity	53	64
Number (and percentage) of existing consumer units with access to refuse removal at least once per week	35 732	8 156
Number of sites provided with security services	54	56

Indicator description	Reported achievement	Audited value
Number of Monthly Safety and Security reports submitted to the Manager Corporate Services	23	12
Number of municipal facilities maintained per annum	4	19
No. of m2 of surfaced roads resealed	26 599 m2	30 588 m2

Various indicators not reported

21. The indicators listed below were approved in the service delivery and budget implementation plan (SDBIP) but were not included/reported on in the annual performance report.

Indicators	Planned targets
% INEP Expenditure by 30 June 2019	100%
Total amount of Small Town Grant expenditure by 30 June 2019	R2 000 000
Number (and percentage) of new consumer units with access to refuse removal at least once per week	1 152
Number of new housing units to be constructed by 30 June 2019	164
Date of completion of the Dundee Rural Horse Riding upgrade	2018/06/30

Various planned indicators not consistent

22. Various planned indicators included in the integrated development plan (IDP) were not consistent with the SDBIP for the following six objectives:

Objectives	IDP	SDBIP
1. Municipal transformation and institutional development	Number of critical posts filled by 30 June 2018	% of critical identified posts filled
	target groups employed in the three highest levels of management in compliance with approved equity plan	Not recorded
	Date 2017/18 Annual Report adopted by Council	Date Final Annual Report submitted to council
	Date all policies reviewed & Adopted by Council	Date all HR policies reviewed
	% of cases resolved	Number of quarterly reports on litigation cases submitted to Municipal Manager
2. Basic service delivery	Number (and percentage) of new consumer units with access to electricity	Not recorded
	Date Human Settlement Sectoral Plan adopted by Council	
	Not recorded	Total amount of Small Town Grant expenditure by 30 June 2019
3. Local economic development	No. of business inspections conducted by 30 June 2019	Not recorded
	Date the Mayoral Business Engagement Session Held	
	No of LED jobs created through EPWP & CDW	Number CWP jobs created by 30 June 2019

Objectives	IDP	SDBIP
	Number of LED Forum Meetings Held	No. of 8-Aside Coalition Structure Quarterly Meeting held by 30th June 2019
	Date the Annual Tourism Operational Grant Transferred to Dundee Tourism	Not recorded
	Represent the Municipality in the Relevant Dundee Tourism CTO Strategic Meetings.	
	Date Informal Economy Policy Adopted	
	Date Informal Trading Facilities Constructed	
	Number of Endumeni LED Technical Support Implementation Progress Reports Submitted	
4. Good governance and public participation	Maintain an unqualified audit report from AG with no matters	Date unqualified audit report from AG with no matters obtained
	Comply with the traffic regulations	Number of road Safety interventions/campaigns conducted (School Visits)
	Not recorded	Number of Batho Pele documents developed/ (Batho Pele Policy & procedure manual; Service Charter; Service implantation plan)
5. Municipal financial viability	Number of revenue enhancement interventions done	Not recorded
	Not recorded	Amount of reduction in electricity theft
6. Cross cutting	Number of Quarterly SPLUMA Applications Registers Submitted to Cogta	% of implementation of SPLUMA
	Date the Strategic Environmental Assessment Report adopted by Council	Date Environmental Management Plan provided with input
	Date the Endumeni Rural Nodal Plan Adopted by Council	Not recorded
	Date the Human Settlement Gap Housing Feasibility Study Report Adopted By Council	
	Number of Building Control & Compliance Quarterly reports submitted to Council	
	Date the Endumeni GIS Policy Adopted by Council	
	Date the GIS Hardwares; Softwares & Operational Needs Acquired	
	Date the Annual Municipal Land Audit Adopted by Council	
	Date the Annual Supplementary Valuation Roll Published by Council	
	Date the Selected Municipal Farms and Commonages Fenced	
	Date Reviewed Land Disposal Policy adopted by Council	

Various indicators – reported targets not consistent

27. The following targets as reported in the annual performance report were not consistent with the approved targets as per the SDBIP:

Indicator description	Planned target per SDBIP	Reported target per annual performance report
Number (and percentage) of existing consumer units with access to refuse removal at least once per week	14 190	12 011
Number of facilities maintained	20	4
Number of sites provided with security	30	54
Number of m ² of roads resealed	32 740m ²	25 000m ²

Number of existing consumer units with access to electricity

28. The achievement for the target of “number of existing consumer units with access to electricity” reported in the annual performance report was 46 677. However, the supporting evidence provided could not substantiate the reported achievement, as 19 existing connections were reported as new connections, together with two consumers who could not be physically verified. Therefore, the total estimated misstatement is 32 849.

Number of new consumer units with access to electricity

29. The achievement for the target of “number of new consumer units with access to electricity” reported in the annual performance report was 53. However, the supporting evidence provided could not substantiate the reported achievement, as seven existing consumer units were reported as new consumer units, one consumer was reported as achieved but work was not done, two new consumers were not reported, together with two consumers, who could not be physically verified. Therefore, the total estimated misstatement is 22.

Date of completion of the Dundee rural horse riding upgrade

30. The indicator and related target of “date of completion of the Dundee rural horse riding upgrade” did not relate to the realisation of the municipality’s 2018-19 financial year. This is because the achievement of the indicator was measured and achieved in the prior financial year of 2017-18.

Other matters

31. I draw attention to the matters below.

Achievement of planned targets

32. The annual performance report on pages x to x includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 20 to 30 of this report.

Adjustment of material misstatements

33. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the basic service delivery objective. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

34. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
35. The material findings on compliance with specific matters in key legislation are as follows:

Strategic planning

36. The review of the IDP was not done in accordance with the results of the performance evaluation and to the extent that changing circumstances demanded, as required by sections 34(a) and 41(1)(c)(ii) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).
37. A performance management system was not adopted, as required by regulation 8 of the Municipal Planning and Performance Management Regulations of 2001 (GNR. 796 dated 24 August 2001).

Financial statements

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements in property, plant and equipment, investment property, irregular expenditure, as well as fruitless and wasteful expenditure identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Human resource management

39. Appointments were made in posts which were not provided for in the approved staff establishment, as required by section 66(3) of the MSA.

Expenditure management

40. Reasonable steps were not taken to prevent irregular expenditure amounting to R44,12 million as disclosed in note 40 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority (67,73%) of this expenditure resulted mainly from awards made by a bid adjudication committee that was not properly constituted.

41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R148 332, as disclosed in note 39 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R9,55 million, as disclosed in note 39 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

Consequence management

43. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

44. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

45. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Procurement and contract management

46. Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by regulation 13(c) of the Municipal Supply Chain Management Regulations of 2005 (GNR. 868 dated 30 May 2005) (MSCMR).

47. Some contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by regulation 13(c) of the MSCMR.

48. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by regulation 19(a) of the MSCMR.

49. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of regulation 36(1) of the MSCMR. Similar non-compliance was also reported in the prior year.

50. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with regulation 29(2) of the MSCMR. Similar non-compliance was also reported in the prior year.

51. Some of the bid documentation for the procurement of commodities designated for local production and content did not stipulate the minimum threshold for local production and content, as required by regulation 8(2) of the Preferential Procurement Regulations of 2017 (GNR. 40553 dated 20 January 2017) (PPR).

52. Some contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of regulation 5(6) of the PPR.

53. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of section 112(j) of the MFMA and regulation 44 of the MSCMR.
54. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the code of conduct for staff members issued in terms of the MSA.

Other information

55. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported on this auditor's report.
56. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
57. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
58. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

59. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
60. The financial statements and annual performance report contained numerous material misstatements that were not corrected. These were mainly due to the inadequate application of the financial reporting framework and a lack of proper management reviews of quarterly, mid-year and annual performance reports to ensure that they were supported by reliable and complete information.
61. Management did not adequately review and monitor the internal controls to ensure that the laws and regulations applicable to the municipality were complied with.

Other reports

62. I draw attention to the following engagements that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These engagements do not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
63. According to Presidential Proclamation No. R.35 of 2018 published on 14 December 2018 in Government Gazette No. 42101, the Special Investigating Unit was tasked to probe allegations of maladministration, fraud and corruption at the municipality covering the period 1 July 2016 to 14 December 2018. The investigation was completed and the report was presented to the municipality to implement the recommendations.
64. The Department of Cooperative Governance and Traditional Affairs initiated a forensic investigation relating to allegations of fraud against certain municipal officials, which was concluded on 14 September 2018. The report was presented to the municipality to implement the recommendations.
65. The municipality instituted a forensic investigation relating to discrepancies with regard to the allocation of RDP houses to beneficiaries. The investigation was completed and the report was presented to the municipality to implement the recommendations.

Auditor-General

Pietermaritzburg

30 November 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 7: REPORT OF THE AUDIT COMMITTEE

The Honourable Speaker
Endumeni Local Municipality
Private Bag 2024
Dundee
3000

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE TO THE COUNCIL OF ENDUMENI LOCAL MUNICIPALITY

FOR THE PERIOD ENDED 30 JUNE 2019

The audit and performance committee has the pleasure in submitting this report to the Council of Endumeni Local Municipality. This report is submitted in terms of the provision of sections 121 (3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 (“the MFMA”) and covers the financial year from 1 July 2018 to 30 June 2019.

The legal responsibilities of the Audit and Performance Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with the National Treasury’s MFMA Circular 65.

Audit and Performance Committee members and attendance at meetings

The Audit and Performance Committee as appointed by Council in June 2018 is comprised of three independent, external members. The Committee is required to meet at least 4 times per annum as per the Audit and Performance Committee Charter and the MFMA. However, additional meetings may be called as the need arises. Members’ attendance at the meetings is listed below:

<u>Name</u>	<u>No of Meetings Attended</u>	<u>08/08/18</u>	<u>28/08/18 (special meeting)</u>	<u>29/10/18</u>	<u>13/12/18</u>	<u>30/05/19</u>
Mr S Majola (Chairperson)	5	✓	✓	✓	✓	✓
Ms Z Khanyile	4		✓	✓	✓	✓
Ms N Thungo	4	✓		✓		✓

Apologies were received from members for meetings where they were unable to attend.

The following are standing invitees to the Audit and Performance Committee Meetings.

Representative from	Office of the Auditor-General (AG)
Representatives from	Provincial Treasury and COGTA
MPAC Chairperson	
Internal Audit Manager	
The Municipal Manager (MM)	
The Chief Financial Officer (CFO)	
Heads of Departments	
PMS Manager	
Risk Manager	

Audit and Performance Committee responsibility

The Audit and Performance Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit and Performance Committee Charter which has been approved by the Council of the Endumeni Local Municipality.

Section 121(4) (g) of the Municipal Finance Management Act, No. 56 of 2003 also requires that the annual report must include any recommendations of the Municipality's Audit and Performance Committee.

In the conduct of its duties, the Audit and Performance Committee performed the following statutory duties:

1. Reviewed internal financial control and internal audits

For the purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Charter, the Audit and Performance Committee relies on the work performed by the Internal Audit Unit.

The risk based internal audit plan for the financial year ending 30 June 2019 was presented by Internal Audit and approved by the Audit and Performance Committee. The Audit and Performance Committee at each meeting assessed performance against the plan and reviewed the plan to assess whether critical risks relating to the administration and operations of Endumeni Local Municipality were identified and addressed.

Various internal audit reports for the Municipality were completed and tabled at the Audit and Performance Committee meetings held during the reporting period. The Audit and Performance Committee expressed concern that the internal audit conclusions indicated an inadequate control framework resulting from significant control weaknesses being noted in certain areas that were audited. The Committee was particularly concerned that although there had been progress some of the findings had been previously reported, unfortunately some of those findings remained unaddressed. There have been engagements with management regarding the findings, and management assured the committee that the process to address those findings is underway.

The Accounting Officer gave us comfort that he will ensure that those charged with a duty of responsibility to account will do so and address the findings raised by the internal auditors.

2. Risk Management

The MFMA requires the accounting officer of the municipality to take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial, risk management and internal control.

The municipality currently has a system of managing risk, as required in terms of S 63 of the MFMA. This function involves an annual assessment of municipal risk, and periodic risk reviews carried out by management and relevant personnel at the municipality.

The acting municipal manager formulated the Risk Committee and it is responsible for reviewing the status of the top 10 risks against management action plans from time to time. During this process, emerging risks are also identified.

Our recommendation in this regard is that the municipality appoints an independent competent person to chair this committee who will bring an independent perspective of the risks facing the municipality. The accounting officer has already commenced with the process to source the person with the required skill.

3. Review of financial statements and Accounting Policies.

The Audit and Performance Committee has the obligation to review the Municipality's Annual financial statements and provide Council with an authoritative and credible view of the Municipality's financial position, performance and cash flow position. In order to do this, the Audit and Performance Committee relies on the work conducted by the Internal Auditors, and therefore such reviews were provided for in the Annual Internal Audit Plan.

The committee congratulates the municipality for obtaining an unqualified audit opinion for the 2018/19 financial year. We commend the work done by the Accounting Officer, Administrator and management by working hard to ensure that the municipality obtains this opinion. We also appreciate the support that Council provided management with throughout the financial year.

There are few findings that were raised by the Office of the Auditor-General (AG) during the audit of the 2018/19 financial statements.

We recommend that management formulate action plans to address the findings raised by the AGSA, this will be on-going process which will be reviewed through follow up reviews by internal audit. The Committee will also follow up on these action plans and report to Council on the progress made to address them.

4. The adequacy, reliability and accuracy of financial reporting and information

The committee is also required to advise Council on the adequacy, reliability and accuracy of financial reporting and information in accordance with S 166 of the MFMA.

Internal audit conducted its reviews on the various cycles on performance and financial reports compiled by the municipality. These reviews included an evaluation of the municipality's system of internal control, quality of reporting, status of records, review of the municipality's performance management system etc. Internal audit and the AG identified various control weaknesses. Management had formulated action plans to address these matters.

5. Performance Management

The Audit and Performance Committee also serves as the Performance Committee for Endumeni Local Municipality. The legal responsibilities of the Audit and Performance Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

Throughout the year, performance reports were generated and audited by the internal auditors. There was a point where this section underperformed when the Performance manager resigned. It is pleasing to note that that position has now been filled and we are expecting improvements with regards to performance management system.

The committee also sat to review the Annual Performance Report for 30 June 2018. Internal audit also conducted its reviews on this report. There were quite a number of matters raised by the committee especially relating to the accuracy, completeness and evidence supporting the performance information presented in the report.

Annual performance report was also submitted to the AG on 31 August 2018 for audit. The municipality received a qualified audit outcome resulting from the limitation of scope on basic service delivery.

We recommend the following:

- That performance reporting be done on a monthly basis
- All achievements relating to performance reported must be supported by adequate reports
- Quarterly performance assessments must be conducted by the municipal manager

6. Effective Governance

The Audit and Performance Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the Municipality to enable it to discharge its duties. Furthermore, the Audit and Performance Committee oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the Audit and Performance Committee, primarily through its chairperson.

7. Compliance with Legislation and Ethics

The Audit and Performance Committee and AG noted some instances of non-compliance with policies and procedures, the Municipal Finance Management Act.

The areas of non-compliance were noted, mainly through the reports submitted by internal audit and the AG. Management has to exercise stricter controls when it comes to overall compliance at the municipality.

The committee will follow up on the progress made by management to address these and will report to Council accordingly.

Recommendations:

- Council and management need to exercise stricter monitoring controls over performance management and reporting, including holding management accountable for the non-submission of relevant information supporting actual performance.
- Council and management must continue to exercise stricter budgetary controls in order to improve the financial position at the municipality. This must include going out to the public and remind consumers to settle their municipal accounts.
- The municipality must focus on the credit management at the municipality, in order to improve the collection of outstanding balances owed by debtors. Council must lead this process, through a special committee, which we recommend that it be formed together with management and officials. In addition, Council should consider reviewing its indigent register to ensure that only consumers who can afford to settle their accounts are billed for services provided by the municipality.
- The process of risk management should be prioritised as part of management tools that will assist in improving systems and governance at the municipality.
- Consequence management must be implemented where there are instances of non – adherence with procedures.
- Management and Council must work together in improving the systems and the environment at the municipality to achieve the Municipality's primary objectives. In addition, Council must drive the spirit of unity amongst council, management, municipal officials and stakeholders.

Conclusion

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are the responsibility of Council. The role of the Audit and Performance Committee is to monitor the efficiency of the procedures and mechanism, which Council has put in place in order to ensure that its policies and procedures are adhered to.

We can report that even though there were exceptions noted, we believe that the Accounting officer and the Administrator made descent strides to improve the internal controls, financial management and governance of the municipality. They have laid a solid foundation and the municipality can only improve from this.

Lastly, we appreciate the hard work by management throughout this financial year and the support we enjoyed from Council.

On behalf of the Audit and Performance Committee



Mr S Majola
Chairperson
04 December 2019

CHAPTER 9: CONCLUSION

During 2018/19 financial year, the municipality managed to deliver on its developmental mandate of improving the quality of life and providing quality service to its community, in spite of operating in an environment with challenges, major one being electricity theft and illegal connections.

Great appreciation goes to the Council of Endumeni Local Municipality, members of the Executive Committee, the Portfolio Committees of Council, Management, the Municipal Public Accounts Committee, and the Audit Committee for guidance and the support given to Management and Staff of municipality during the 2018/2019 period.

ENQUIRIES:

MS. L. Ngidil: MANAGER: IDP & PMS

DEPARTMENT OF PLANNING & ECONOMIC DEVELOPMENT

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