CONSOLIDATED
ANNUAL REPORT
2012/2013 FINANCIAL YEAR
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1.1 EXECUTIVE MAYOR’S FOREWORD

The Chris Hani District Municipality concluded the 2012/2013 financial year on a high note with the commemoration of the 20th anniversary since the assassination of comrade Chris Hani with whom our municipality is named after. These events underscored the transcendent importance of expanding our efforts to speed up service delivery, reach out to all stakeholders and communities, harness the crucial role innovation must play in building better communities.

Once again we bring an account of that which we have covered from our Integrated Development Plan (IDP), Budget, Service delivery and Budget Implementation Plan (SDBIP) for the 2012/2013 financial year to the people of Chris Hani municipal area, our colleagues in government and those beyond our area with keen interest to our work and facilities. It is always our pleasure to report back to our communities who have bestowed their mandate and trust upon us to ensure that we are accountable.

This report covers our performance highlights including our improving financial management with our successes and failures. This report seeks to attest to the collective efforts of the administrative and political arms of the municipality for progressively addressing the expectations of our people. It is worthwhile to mention that we received a Blue Drop award for safe drinking water, Vuna award on spending all the MIG allocation on service delivery two years in a row and on three crowns renewable energy project to mention but a few. The report deals at length with some of our endeavours to build a people-centred developmental rural district municipality through our district development agenda with key anchor projects like improving water and sanitation infrastructure, revitalisation of irrigations schemes, crop production, livestock improvement, heritage tourism and maintenance of road networks among others. All these efforts seek to create employment for our people, eradicate poverty and close the gap of inequalities.

We have built sound relations with national and provincial departments to ensure that there is synergy and cohesion in service delivery. We collaborated with other municipalities within our area and others across the country in order to share best practices and expertise. Together with the Mayoral Committee, the whole Council and the municipal administration we remain committed in realising our vision and mission using our values as a guide. I trust that every reader who studies this report from a balanced perspective will concur with this impression.
CLLR M.C. KOYO
EXECUTIVE MAYOR

Date

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
1.2 EXECUTIVE SUMMARY

The good governance principles that underpin the operations of the Chris Hani District Municipality demand that in all its dealings, the municipality remains transparent and accountable. Such transparency and accountability can only be achieved where there is a clear link between the strategic objectives agreed with the community as expressed in the municipality’s Integrated Development Plan, the Budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

All these form one process to ensure that the actual performance is reported against what was planned and contained in the IDP. As such, this Annual Reporting is a backward-looking document of financial and non-financial performance for the 2012/2013 financial year. Given the fact that all these strategic documents must be aligned, the Annual Report has similar and consistent information with the IDP, budget and SDBIP precisely to facilitate understanding and to enable the linkage between plans and actual performance.

However, the 2012/2013 annual report of the CHDM is more than merely an overview of the work done and objectives delivered by the municipality over the 12 month reporting period. It also offers insight into this administration’s commitment to deliver on services and ultimately better the lives of the peoples of the district.

To this effect, the municipality has recorded significant progress towards the realisation of the objectives and targets it had set itself for the financial year under review in terms of the five key performance areas of local government. In respect of this, in the area of water and sanitation, the municipality was able to ensure that, as per the plans, over 28000 household are serviced. This indeed contributed positively to the aim of ensuring that the communities of the Chris Hani District have the necessary dignity they deserve through meeting the basic needs. Additionally, recognising that the district is a rural one and that communities continue to face challenges in as far as accessing government services as well as centres for economic opportunities. As such, through the Service Level Agreement entered into by the municipality and the Eastern Cape Department of Roads and Public Works, the municipality has been able maintain roads particularly in the western part of the district.

In as far as extending economic opportunities is concerned, through the local economic development initiatives of the municipality, assistance has been provided to small enterprises, cooperatives and communities with a view of addressing the developmental challenges facing the district. Furthermore, to ensure that the history of the region is kept alive, the municipality has undertaken heritage development initiatives such as the development of the liberation
routes in the district as well as starting a process of writing the history of the district through the compilation of a book to address this.

Lastly, the municipality believed strongly in the participation of communities and other stakeholders in the process that it undertakes. Therefore, to effect this, the municipality has institutionalised public participation mechanisms. To this effect, a number of IDP Representative Forums were held where stakeholders have an opportunity to shape the development direction of the municipality. Additionally, our communication strategy remains vibrant and thus through its implementation, the municipality has been able to communicate with communities and keep them abreast of all decisions and development within Council.

All of this work could have not been realised without the concerted efforts of all Councillors within the municipality. A special thank-you goes to all the employees of the Chris Hani District Municipality for the dedication and hardwork they have displayed throughout the year. Indeed, the Council would not be able to deliver on its priorities without your renewed commitment. Lastly, I would like to extend the greatest appreciation to all stakeholders for the patience and positive attitude that you have shown during the year. I firmly believe that with the concrete relations we have built over the years, this municipality will reach greater heights.

__________________________  ____________________
MR M.A. MENE  Date
MUNICIPAL MANAGER
1.3 DISTRICT OVERVIEW

1.3.1. SPATIAL LOCATION

The Chris Hani District Municipality is at the centre of the Eastern Cape Province surrounded by the district municipalities of Amatole, Cacadu, Joe Gqabi and OR Tambo. It is made up of the following eight local municipalities: Emalahleni, Engcobo, Inkwanca, Intsika Yethu, Inxuba Yethemba, Lukhanji, Sakhisizwe and Tsolwana.

- Lukhanji local municipality, comprising of Queenstown which is a main town and small town of Whittlesea and numerous peri-urban and rural settlements. This is where the seat of the Chris Hani District Council is located (Queenstown).
- Sakhisizwe local municipality, comprising of Cala and Elliot with numerous farming communities, villages and remote rural settlements.
- Emalahleni local municipality, comprising of Lady Frere, Dodrecht and Indwe and numerous farming communities and remote rural settlements.
- Intsika Yethu local municipality, comprising of Cofimvaba, Tsomo and surrounding rural settlements.
- Tsolwana local municipality, comprising of Tarkastad and Hofmeyer and surrounding rural settlements.
- Inkwanca local municipality, comprising of Molteno and Sterkstroom and surrounding peri-urban and rural settlements.
- Inxuba Yethemba local municipality, comprising of Cradock, Middleburg and numerous peri-urban and rural settlements.
- Engcobo local municipality, comprising of Ngcobo and its rural settlements.

Chris Hani District Municipality covers a land mass area of 36 558 km², a change from its previous size of 36, 561 square kilometres in extent due to the changes in demarcation

FIGURE 1: District Map
1.3.2. MUNICIPAL POWERS AND FUNCTIONS

The Chris Hani District Municipality is a category C2 municipality mandated to perform those powers and functions vested in District Municipalities as contemplated in schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996. In addition to these powers and functions as contemplated in the Act, the CHDM is mandated to perform such functions and powers as determined by the Member of the Executive Committee (MEC) responsible for Local Government and as gazetted by the province. In relation to this, therefore, the core mandate of the CHDM is the supply of bulk water and sanitation infrastructure, disaster management, municipal planning, municipal health services, tourism, local economic development and maintenance of provincial roads as per the agreement entered into between the CHDM and the Department of Roads and Public Works. The table below depicts those powers and functions vested in the district and those allocated to the various local municipalities within the district jurisdiction.

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>CHRIS HANI</th>
<th>LUKHANJI</th>
<th>INTSIKA YETHU</th>
<th>ENGCBOBO</th>
<th>SAKHISIZWE</th>
<th>ELM</th>
<th>TSOLWANA</th>
<th>INKWANCA</th>
<th>INXUBA YETHEM BA</th>
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“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
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<td>Yes</td>
<td>Yes</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Markets</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Municipal abattoirs</td>
<td>As related to the LED functions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Municipal parks and recreational facilities</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Municipal roads</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Noise pollution</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Pounds</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The Chris Hani District Municipality operates within the confines of the listed powers and functions. Importantly is the coordination role that the municipality plays in as far as facilitating the speedy delivery of services to communities. As such, through the intergovernmental relations structures that have been established at the district level, the CHDM ensures that other spheres of government take into account the needs and priorities of communities when the plan their interventions through acting as a liaison point between the local municipalities under the jurisdiction of the district, and provincial and national government.

1.3.2. MUNICIPAL STRATEGIC INTENT

CHDM long term vision has been born out of analysis of the Chris Hani Status Quo and developed through intensive participatory processes. Our Vision and Mission as well as Objectives, Strategies and Programmes are informed by the Development Agenda of the district which in one way or the other seems to be aligned to the National Development Plan as these programmes seek to address the three challenges that South Africa in general faces, which are Inequality, Poverty and Job Creation. The NDP 2030 seeks to help us to chart a new course. It focuses on putting in place the things that people need to grasp opportunities such as education and public transport and to broaden the opportunities through economic growth and the availability of jobs. CHDM through the IPED department also focuses on economic and social growth which flows from the Constitution of RSA Sec 152 and Sec 153, the sections refers to promotion of economic and social growth.

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
According to NDP 2013 everything is aimed at reducing poverty and inequality. Our view as CHDM same as the National government view is to shift the balance of spending towards programmes that help people improve their own lives and those of their children and the communities they live in. South Africa can become the country we want it to become. It is possible to get rid of poverty and reduce inequality in 20 years. We have the people, the goodwill, the skills, the resources – and now, a plan. This IDP Review 2013-2014 seeks to address exactly those three challenges.

This is explained through a programme that CHDM Council together with its Councils of Local Municipalities has committed to follow.

**FIGURE 2: District Development Agenda**
Chris Hani District Municipal Vision:

“A people-centred developmental rural district municipality”

Chris Hani District Municipal Mission:

“To co-ordinate governance for quality service and better communities through co-operative governance, socio-economic development, integrated development planning, and sustainable utilization of resources”

Chris Hani District Municipal Values:

\[
\begin{align*}
C &= \text{Commitment} \\
H &= \text{Humanity} \\
R &= \text{Respect} \\
I &= \text{Integrity} \\
S &= \text{Sincerity} \\
H &= \text{Honesty} \\
A &= \text{Accountability} \\
N &= \text{Nurturing} \\
I &= \text{Innovative}
\end{align*}
\]

Taken together, the vision and mission of the CHDM, as well as its values inform the manner in which the entire administration and the political arm of the CHDM conducts itself in engaging communities and in the delivery of services. These are the values against which the standards and performance of the municipality must be measured.
1.3.3. DISTRICT DEMOGRAPHIC PROFILE

The outcomes of the census undertaken by Statistics South Africa (STATSSA) in 2011 suggest that the population of CHDM has decreased from 800 289 in 2001 to 795 461 in 2011. This reflects a decline in population levels by -0.1. Table 1 below illustrates the comparative figures for population levels in the province reflecting that whilst there have been changes within the province, the total population level for the province as a whole has remained constant for the periods 1996 – 2001 and 2001 – 2011 (0.4). Cacadu and the Nelson Mandela Bay Metropolitan, on the other hand, grew at a rate higher than the provincial average (1.5% and 1.4% respectively in the 2001 and 2011 period), with the Amathole District declining to the level of 0.8% each year and Chris Hani as indicated earlier.

Table 2 below shows the population distribution per local municipality as informed by the 2011 Census.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Census 2011</th>
<th>Census 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inxuba Yethemba</td>
<td>60 364</td>
<td>7.5</td>
</tr>
<tr>
<td>Tsolwana</td>
<td>32 537</td>
<td>4.1</td>
</tr>
<tr>
<td>Inkwanca</td>
<td>20 244</td>
<td>2.5</td>
</tr>
<tr>
<td>Lukhanji</td>
<td>181 799</td>
<td>22.7</td>
</tr>
<tr>
<td>Intsika Yethu</td>
<td>154 828</td>
<td>19.3</td>
</tr>
<tr>
<td>Emalahleni</td>
<td>121 822</td>
<td>15.2</td>
</tr>
<tr>
<td>Engcobo</td>
<td>162 248</td>
<td>20.3</td>
</tr>
<tr>
<td>Sakhisizwe</td>
<td>66 447</td>
<td>8.3</td>
</tr>
<tr>
<td>Chris Hani</td>
<td>800 289</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**TABLE 2: Population Distribution per Local Municipality (2011 Census)**
From the table above, it can be seen that the greatest number of people within the district is concentrated in the Lukhanji Municipal area with a total population of 190,723 (24%) of the total CHDM population. This can be attributed to a number of reasons such as inward migration as a result of perceived economic and employment opportunities, education institutions and facilities and generally, a perception of better conditions of living. The changes in boundaries as a result of the demarcation process has had a number of implications notably on the population front with Engcobo LM gaining resulting in it having the second highest population of 155,513 (19.6%) while Intsika Yethu, decreased in numbers to a total population size of 145,372 (18.3% of total district population). Emalahleni LM has a total population of 119,460 (15% of the district total) and its neighbour, Sakhisizwe LM has a total number of 63,582 people (8% of the total district population). Inxuba Yethemba LM’s population is at 65,560 with a percentage of 8.2% of the district total percentage. Tsolewana currently stands at a total population size of 33,281 people (4.2% of the total district population) and Inkwanca is at 21,971 with an average population size of 2.8% of the district total population.

In addition to the sizes of the population, the statistics generated in 2011 provide us with information relating to the distribution of the population by age and sex. The pyramid (graph 2 below) shows a significant decline in male and female aged 15 – 19 and a decline in males 15 – 34. One of the factors for this could be due to out migration for employment and schooling. The decrease in females between the ages of 40 to 54 is worrying as this is the stage when women are still looking after their teenage children.

The majority of the population is young people of ages between 0 to 24 (55.9%). These are largely children who are of school going ages and therefore, it has been necessary for the
CHDM to engage the Department of Education with a view of ensuring for improved access to schooling infrastructure and resources.

The levels of poverty within the district remain unacceptably high with over half of the district population (52.9%) living in poverty. Graph 3 below displays poverty levels across race groups within the district. Whilst this number remains high it is worth noting that there has been a decrease from the previous year’s 56.6% poverty level. Importantly is the concentration of poverty among certain race groups. To this end, the African segment of the DM population is the most affected by poverty, with 54.2% living in poverty, followed by the coloured population at 51.6%, Asians at 10.8 and whites at 0.6%.

![Graph 3: Poverty levels per race type (2011 Census)](image)

The reasons for the poverty levels within the district are diverse. This stems mainly from the structural deficiencies of the economy coupled with the geopolitical limitations of the district. In respect of the former, the economy of the country has moved towards an emphasis on skills thus leaving a greater number of the populace outside of the beneficiation process. This mainly can be attributed to the apartheid policies that continue to disadvantage the district. In respect of the latter, the district is a rural one located at the periphery of mainstream economic activity. As such, people are unable to enjoy most of the benefits associated with the structural changes of the economy. Therefore, from a planning perspective, it is incumbent upon the municipality, working together with other spheres of government, to increase their collaborative efforts in dealing with the question of poverty within the district.
1.3.4. ECONOMIC OVERVIEW

The chart that follows (graph 4) depicts the contribution of each sector in the districts’ economy. This chart shows that the main driver of the Chris Hani District Economy is the community services sector (notably government services) with its contribution resulting to over half (52%) of the district economy’s performance. This is followed by Trade (15%), the finance sector (14%) and the rest below 10%. This clearly suggests that more effort must be put in place to ensure that the potentials of the different sectors are realised.

GRAPH 4: Sector contribution to district economy (2011 Census)

The employment trends in the district mirror the economic dimensions of the district. This means that the biggest employer in the district remains the community services sector (government generally), followed by trade and finance. An important employment trend is that of household employment (domestic help) as well as self-employed people (primarily through informal trade). Hereon below is a graphical representation of the unemployment comparisons at national, provincial and district levels. It is important to note that the district surpasses both the national and provincial averages (57%; 37% and 51% respectively) thus requiring that concerted efforts be put in place with a view of addressing the unemployment challenges besetting the district.
Due to high rates of unemployment there is generally high dependence on grants and remittance (monies sent home family members working in urban centres) as the main sources of household incomes especially in the poor areas in our district. In general most people get their money from social grants especially in Emalahleni. Many especially in municipalities like Tsolwana and Engcobo depend on remittances whilst close to half in Inxuba Yethemba and Sakhisizwe get their income from wages (FIVIMS Report).
The National Government has lifted unemployment, inequality and poverty as major challenges currently facing the country. To remedy such challenges the Planning Commission as headed by Minister Trever Manuel developed the National Development Plan 2030. The picture of unemployment within the district as depicted by a graph 6 above reflects that compared to 2001, there is an improvement as unemployment levels have decreased. It further reflects Intsika Yethu, Emalahleni and Engcobo as being the highest within the district with higher levels of unemployment with the least being Inxuba Yethemba.

Closely associated with the question of (un)-employment and economic performance is the issue of income inequality. To assess the extent to which the Chris Hani District population is unequal, the Gini Coefficient was used. The Gini coefficient is a statistical summary of income inequality, which varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (inequality - in the case where one household earns all the income and other households earn nothing). In practice the coefficient is likely to vary from approximately between 0, 25 and 0, 70. Graph 7 below suggests that the Chris Hani district is experiencing inequality particularly across race groups:

The graph also illustrates that there has been a year-to-year improvement in the gini coefficient within the municipality, showing that there are strides being made in trying to address the present inequalities. It is clear though that a lot still needs to be done towards addressing these inequalities.
Whilst economic growth rates are important to assess the success of some of the economic initiatives implemented within the municipality, these do not always give an indication of the extent to which such initiatives contribute to the qualitative change in the lives of the residents of the Chris Hani District. As such, a method that is used to measure qualitatively the improvements in peoples’ lives is the human development index (HDI). The HDI measures life expectancy, literacy and income of a particular district. It is measured on a scale of 0 to 1 and an HD should preferably be above 0.50 to represent an acceptable level of development.

Graph 8 above indicates that the HDI level of the district is standing at 0.46 and with whites within the district at 0.88; Coloureds at 0.57 and least being Africans at 0.44. As per the analysis earlier this suggests that the district is below average and as such, serious efforts need to be put in place to ensure that people, particularly the African population, is extricated from the dehumanising conditions of underdevelopment. A number of factors can be attributed to this level of human development however, deeper analysis of the root causes of these challenges need to be examined. Amongst others this can be attributed to the following:

- The region is challenged with a higher demand for basic services as well as housing/Infrastructure etc.
- The area is largely rural which negatively influences the health as to some services are sparsely located within the district.
- Services such as education, reproductive health, youth development and development projects to address poverty remain a challenge for local government and government departments.
The District Municipality has former homeland areas where limited or no development has taken place over a number of years. This has translated in Chris Hani District experiencing high levels of poverty across the District.

The public sector dominates the region’s economy, which indicates the challenge of a limited production base in the area, and limited private investment growth into the CHDM economy.

- Economic situation in terms of lack of income and unemployment of the population is increasing.

Graph 8 below, on the other hand, indicates that human development across the district local municipalities is below 0.50 and therefore cannot be accepted. Inxuba Yethemba at 0.57 and Lukhanji LM at 0.53 are exceptions to this situation. Tsolwana is at 0.47; Inkwanca is at 0.46; Intsika Yethu is at 0.42; Emalahleni at 0.41; Engcobo is at 0.39; and Sakhisizwe is at 0.44.

Closely associated with human development is the question of educational attainment. The graph 10 hereon below depicts the percentage of the population aged 20 and above in each municipality with no education in Chris Hani and its local Municipalities comparing the development with 2001 and 2011. This shows a great improvement as from 2001 as the towers that are blue show the situation by 2001 and red ones depicts the current scenario with figures being below 20% which one can interpret by saying the current government has improved the situation by probable through availability of scholar transport, building of schools closer to where communities are etc.
As we look at consolidating the gains of a democratic dispensation in the country, the key question that must continue to confront us is whether the interventions undertaken since the dawn of democracy have sufficiently addressed the multitudes of challenges facing our district populace. Indeed, upon inspection, the information provided above is telling. It is telling of three key matters. Firstly, it is understood that the problems confronting our municipalities and communities at large are immense and varied. These challenges cannot be addressed in the shortest period of time and by a single entity acting in isolation. These require tough decisions around the allocation of resources, collaborative efforts across all spheres of government and in collaboration with the private sector and patience from the communities themselves, with the understanding that municipalities operate with limited resources but that such resources are indeed for the betterment of all the communities of the district.

Secondly, this is telling in the sense that there has been significant progress made in dealing with the structural and socio-economic challenges which continue punctuate the dehumanising legacy of the apartheid regime. To this end, a number of social programmes have been implemented which primarily seek to bring the majority of the population into the mainstream economy and to consequently extricate them from the conditions of poverty and underdevelopment.

Thirdly, these must inform municipal planning and service delivery interventions. Importantly, the intervention of the CHDM, and indeed the local municipalities under its jurisdiction, must seek to qualitatively change the picture as depicted in the discussions above.
1.4 SERVICE DELIVERY OVERVIEW

As indicated earlier, the delivery of services by the Chris Hani District Municipality is informed firstly by the powers and functions vested in a district municipality as contemplated in Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, as well as the Local Government: Municipal Structures Act, 117 of 2008. In addition to this, the MEC for Local Government in the Eastern Cape Province extended these to include some functions previously not the functions of the Chris Hani District Municipality.

In terms of the structural arrangements of the CHDM, three of the six departments of the municipality deal directly with service delivery, viz.; Engineering Department, Health and Community Services Department and the Integrated Planning and Economic Development (IPED) Department. The other three departments are support departments which essentially ensure that the municipality is able to deliver on its mandate.

1.4.1. Health and Community Services

The Health and Community Services Department is responsible for the following functions:

- Municipal Health Services: Water quality monitoring, food quality and hygiene, environmental management and climate change;
- Disaster Management and fire-fighting services;
- HIV and AIDS Management: Internal HIV/AIDS programmes and well as community initiatives.

During the financial year under review, the CHDM, through this department has been able to deliver on the following:

1.4.1.1. Municipal Health Services

The Municipal Health Services (MHS) of the CHDM is a function that can be divided in two, namely the core MHS which primarily focuses on water quality monitoring, food control, waste management, health surveillance of premises, vector control, environmental pollution control, disposal of the dead and chemical safety, as well as the Environmental Management function which focuses on alien vegetation control, working for water, climate change as well as support to local municipalities. The MHS function has evolved over time due to the changes in legislation. This saw the Council absorbing additional staff from the Provincial Department of Health through a process of devolution. The expansion of staff members meant optimal coverage and delivery of municipal health services throughout the District.
Water Quality Management (Blue drop/Green drop)

The CHDM is responsible for provisioning of quality water to all areas within its jurisdiction which should adhere to SANS: 241 (blue drop). We have thus far taken about 2 400 water samples from the sampling points as designated by the Department of Water Affairs (DWA). We are proud to report that all samples taken are free from water related and water-washed diseases like cholera, typhoid, shigella dysentery and so on. and people can consume water without any fears of being exposed to waterborne diseases. A key concern however still remains in as far as the compliance of waste water with applicable laws and regulations (green drop). To this effect, an allocation of funding has been put aside for the refurbishment of waste water treatment plants. As such work is progressing well in some municipalities in dealing with this matter. Furthermore, a new structure between WSA and MHS has been established to deal with failures and compliance notices.

Waste Management

Since the previous financial year, CHDM had forged links with the Department of Environmental Affairs towards assisting municipalities with waste management programmes such as recycling, street sweeping and landfill sites management, in order to comply with the new Waste Act which promotes recycling, reuse and recovery of waste so as to minimize the volumes of wastes to the landfill sites.

These initiatives were rolled-out at Ngcobo, Sakhisizwe, Inxuba Yethemba, Emalahleni, Lukhanji and Intsika Yethu. They will also be extended to other LMs in the next financial year. Inroads are in place towards assisting municipalities to have their landfill sites permitted.

A special note must be made in recognition of Intsika Yethu Municipality for extending waste management services to indigent households and encourage the rest to follow suit. The Chris Hani District Municipality, as a district, does not have jurisdiction on respect of removal of waste at household level as table 3 below suggests, however, through its municipal support services, the CHDM assists local municipalities to effectively discharge this responsibility and furthermore, ensure that solid waste sites adhere to the standards.

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (actual numbers)</th>
<th>Target set for the f. year under review</th>
<th>Number of HH/customer reached</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households with access to refuse removal services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 3: Annual performance as per key performance indicators in waste management services
Food Quality Monitoring

Part of the MHS function is to ensure that the food consumed by the inhabitants of the district is of good quality and is compliant with the standards stipulated in R962 of the health Act as amended. This is done through taking food samples from the registered food premises throughout the district.

During the period under review, 600 food samples were taken all of which were in compliance with the prescripts of law as indicated earlier. The absence of the reported food poisoning outbreaks and any other related conditions within the local municipalities can be attributed to the frequent sampling of food.

Surveillance of Food Premises

The inspection of food premises is regulated by R962 of 2012 wherein the requirement is that food premises should be inspected on a regular basis in order to ensure compliance and also prevent food borne and communicable diseases from occurring. This is done through conducting health and hygiene awareness programmes to all food premises' owners on an individual basis or through mass stakeholder engagement.

For the period under review, 2948 food premises were inspected and compliance certificates were issued. This function is progressing well despite the challenges that we frequently encounter in respect of change in business ownership.

Environment and Climate Change

The District Climate Change Summit of 2011, recognised the need for all CHDM Directorates to mainstream Climate Change protocols in the delivery of services e.g. human settlement, water services, sanitation services, led programmes. The District is therefore committing itself to a sustainable development and protection of the environment for future generations. Together with the Department of Environmental Affairs, we are conducting natural resource rehabilitation projects and alien vegetation eradication through EPWP in order to mitigate these challenges. We have since established an Environment and Climate Change Forum to engage stakeholders on Environment and Climate Change issues. On the other hand, the Department continues to conduct environmental awareness and educational campaigns throughout the district in order to raise the levels of awareness around issues of greening and beautification.

About 860 trees have been planted since May 2012 and the Department has committed itself to plant more in the next financial year. All these efforts seek to reduce the impact of climate change in our communities and rather promote greener societies that shall enrich our environment.

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These initiatives saw Inkwanca Municipality winning the Provincial Greenest Municipality Award in November 2012. We therefore call upon all the LMs to prioritise environmental responsible behavioural patterns and make it their daily business.

A draft District Wide Adaptation and Mitigation Strategy has been developed and will in the next financial year be table to Council, once all the inputs have been received.

This strategy will assist the district in dealing with issues of renewable energy (solar energy, bio-fuels, clean technologies, wind turbines) waste management (land fill sites) and other climate change programmes better than before. We pride ourselves of three crowns project and will be replicated in other villages and schools in the next financial year. We therefore call upon the communities to adopt the same protocols in their daily living.

1.4.1.2. HIV and Aids and Anti-Poverty (Phakama Sakhe)

HIV and AIDS keeps on being a serious threat to our developmental agenda in as far as socio economic conditions are concerned. During this financial year, CHDM Council adopted an HIV,STI and TB Strategic Plan of (2012-2017), and this Department in collaboration with its stakeholders have been in full swing – implementing the programmes such as CONDOM WEEK, DISTRICT WORLD AIDS DAY, CANDLELIGHT MEMORIAL and so on, towards combating the scourge of HIV and AIDS in the District. These efforts gave rise to a decline of the prevalence rate among antenatal women by 0.6% in 2011 compared to the 2010 results of 29.5% and 30.1% respectively.

The Know Your Epidemic and Know Your Status Campaign have also contributed to the decline in the HIV infections. The results further indicate that, our District has 28 700 people on Anti-Retroviral Treatment (ART), of which 26 753 are adults and 1 947 are children. The highest positivity rates are from Ngcobo, Lukhanji and Sakhisizwe facilities with 12.2%; 9.7% and 8.6% respectively. Special attention will be given in these areas as we rollout 2013/2014 HIV and AIDS programmes wherein the youth will be our primary focus.

We therefore call upon the youth of this District to apply brakes on HIV and AIDS by Abstaining, Being Faithfull to one partner and to Condomise if one is sexually active.

Amongst these programmes is the element that the Council has decided to incorporate in order to address the social ills and that is Anti – Poverty or Phakama Sakhe initiatives. These initiatives have been piloted in the sites of Intsika Yethu at Hala Location and Ngcobo at Silindini Location. The Department together with the Sector Departments and other internal Departments have started addressing these challenges by employing 105 youth and women as ground diggers on a two year contractual period. The Phakama Sakhe programme will be
extended to all 112 wards of the District in the next financial year and shall be championed by the Ward Councillors.

The success of these programmes has now placed the District AIDS Council (DAC) in being recognised as the best performing in the Province. This has resulted into a twinning arrangement with Umgungundlovu District Municipality wherein the two (2) Districts are now sharing best practices and we hope that this relationship will yield successful, meaningful and progressive results.

1.4.1.3. HIV and Aids in the Workplace

We have once more within CHDM repeated HIV Prevalence and Knowledge, Attitudes, Perceptions and Behaviour survey was conducted in March – April 2013, to determine whether there has been an increase or decrease in HIV prevalence since the baseline which was conducted in 2009 among Councillors and staff in general. The survey showed a decrease of HIV prevalence among Councillors and employees from 16% in 2009 to 7.6% in 2013.

This is a remarkable improvement. The report also showed a decrease in the number of employees who reported fear of stigma and discrimination in the workplace from 99% in 2009 to 2.7% in 2013. We will continue our partnerships with LMs in implementing HIV and AIDS workplace programmes.

Health Summit

A district health summit was held on 1 – 2 November 2012 at Roydon Nature Reserve. Its primary objective was to determine progress made thus far, insofar as the implementation of the ten (10) point plan for 2009 -2014 is concerned as set out in the Department of Health Strategic plan. The summit acknowledged the progress made thus far, however, much more needs to be done with challenges posed by HIV and AIDS and TB, maternal and child-mortality, communicable & non-communicable diseases. We have committed to accelerate service delivery by:

- Supporting the piloting National Health Insurance (NHI) in one of the Health Sub-Districts of the District in the 2013/14 financial year.
- Strengthening relations with all Sector Departments in an attempt to mobilize and integrate resources towards addressing the challenges posed by HIV & AIDS; TB and STIs.
- Making sure that the Millennium Development Goals are given the due priority, and thus ensuring improvement.
Circumcision

At this point we want to congratulate the district team that is responsible for overseeing circumcision seasons and challenges that arose were swiftly attended. However, we shall stand and act during this June month (Nyanga Yesilimela) as we are striving for a zero incident period. We call upon our communities to observe the policies, regulations and structures that govern this ritual by encouraging parents to ensure that these boys visit the local clinics; ensure that these boys are at the right age to go through this ritual; nurses/doctors act responsibly; inkosi and traditional houses lead the process at a customary level; the department of Health shall lead and the CHDM will fully activate its support.

1.4.1.4. Disaster Management

The primary focus of disaster management as set out in the Disaster Management Framework adopted by the Council is the prevention and mitigation of disastrous risks and hazards as they are likely to be found in our District given its geographical nature. In an effort to minimize these incidents, 33 awareness campaigns on risk reduction strategies such as snow rescuing, thunderstorm & lightning, tornadoes and so on, were conducted throughout the District. These initiatives are in line with the programmes of climate change and should be seen interchangeable.

A Disaster Management Plan is about to be adopted by the Council and will assist the District together with LM’s in addressing the risks and hazards posed to us by the effects of climate change. We call upon all stakeholders to work with us as we drive these programmes so that together we reduce the impact and effect of these hazards.

Fire Services

The Municipal Structures Act clearly stipulates the role and responsibilities that the district shall provide in executing fire services. Such functions are:

- Planning, co-ordination & regulating fire services;
- Specialised fire-fighting services such as maintain, veld and chemical fires; and
- Coordination of the standardisation of infrastructure, vehicles, equipment and procedures.

In spite of this, the District has gone beyond its scope by assisting municipalities with their functions such as structural fire-fighting in an attempt to reduce the spread of fires to the nearest buildings which might cause injuries & deaths.

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During this financial year, 387 structural fires were extinguished throughout the District, whilst, veld fires were 443. Of those 33 fire injuries were reported and recorded. The District together with municipalities have since developed an awareness programme which seeks to educate the community on safety measures. The programme is progressing fairly well.

1.4.1.5. Key Challenges in Health and Community Services

In delivering on its functions and responsibilities, the department has experienced the following challenges in terms of each line function:

- Lack of funding for the implementation of key environmental and climate change projects;
- Lack of support from sector departments particularly around working for water; and
- Serious challenge in as far as office space is concerned

1.4.2. Integrated Planning and Economic Development

The Integrated Planning and Economic Development (IPED) department is responsible for the following functions:

- District integrated development planning including town planning services;
- Housing development;
- Agricultural development;
- Forestry and related sectors’ development;
- Tourism development and promotion; and
- Business development.

During the 2012/2013 financial year, the CHDM, through this department has been able to deliver on the following:

1.4.2.1. Housing Function and Main Role-Players

Schedule 4 of the Constitution of the Republic of South Africa, Act 108 of 1996, read together with Section 9 of the Housing Act, 107 of 1997, places the housing competency on both the Provincial Administration (co-ordinated by the Provincial Department of Human Settlements) as well as the Local Municipalities. However, the Chris Hani District Municipality, as adhering to the responsibilities as stipulated in the Local Government: Municipal Structures Act, 117 of 1998, has taken the position to co-ordinate, support and guide the process of housing development within the district area. To further enhance the responsibilities charged against the CHDM, in 2011, the Eastern Cape Department of Human Settlements granted the CHDM the status of being a developer for the replacement of temporal housing structures with the construction of permanent houses within the district area as a whole.
In October 2010, the Council of CHDM took a resolution to engage in the process of Housing Municipal Accreditation. An application was forwarded to the Eastern Cape Department of Human Settlements for the CHDM to be considered for Levels one and two of the Housing Municipal Accreditation. The Eastern Cape Department of Human Settlements responded by including the CHDM as one of the municipalities that would be considered for assessment for capacity at level one of the Housing Municipal Accreditation. In terms of this process, the functions attached to Level one accreditation are listed as follows:

- Beneficiary Management;
- Subsidy budget planning and allocation; and
- Priority programme management and administration.

In May 2013 a pre accreditation assessment for the district was conducted by the Eastern Cape Department of Human Settlements. The assessment report highlighted that although there seems to be evidence of capacity in the district, there are capacity needs within the municipality around project cycle of Human Settlements delivery.

The following are areas of intervention identified:

- The establishment of the Housing Needs Register in all the municipality
  
  Work completed: the ECDHS has appointed a service provider, Mbumba Development Services, to develop a housing needs register for 6 LMs in the district that did not have the register (Emalahleni; Inxuba Yethemba; Tsolwana; Inkwanca; Ngcobo and Sakhisizwe LM). The service provider is currently on site.

- Development and the implementation of the Allocation Policy
  
  Work completed: CHDM has started with process of procuring the service provider to develop the Integrated Housing Sector Plan which incorporates the development of the Housing Allocation Policy. Some areas of intervention and challenges were identified and are listed hereon below:

  - Availability of land for future projects;
  - Availability of bulk especially challenges relating to water and sanitation;
  - Issues around the capacity PMU office in respect of social facilitation and beneficiary administration;
  - Increase technical capacity within Human Settlement Unit by reviewing the orgarnogram and providing for new posts;
  - Strengthen contracts and inventory management;
  - Filling of strategic posts in the institution and specially in technical fields;
Skills needed for the administration of Human Settlement delivery and technical skills for serving the water and sanitation backlog. This is based on the high vacancy rate within engineering and the limited capacity provided for the organogram for human settlement delivery.

A pre accreditation support will be offered by the ECDHS to ensure that the municipality performs its function and as such continued engagements will be undertaken with the municipality to ensure that CHDM responds to the area that needs attention. SALGA will also support and guide the district in terms of meeting all the required expertise for the accreditation.

To ensure that the various housing challenges facing the district such as bulk infrastructure provisioning, the land question, housing infrastructure and social development, are addressed adequately and as a matter of urgency, the Council of CHDM approved an organogram which puts in place the Housing Unit. The Housing Unit is housed in the Integrated Planning and Economic Development Directorate (IPED) of the CHDM and currently is staffed by a Housing Manager, who, as reporting directly to the IPED Director, has the responsibility of guiding the housing process and to manage stakeholders. Although not exclusively limited to these, the Housing Unit has the following responsibilities:

- provide support and guidance to local municipalities faced with capacity challenges and financial constraints in housing delivery;
- coordinate infrastructure projects that directly affect housing (sanitation and water);
- eliminate duplications; and
- assist in the monitoring of housing projects.

Furthermore, as part of the institutional arrangements and in terms of the CHDM operational plans, a District Housing Forum sits at least once every quarter to try and address those housing development challenges facing the district. The Housing Forum is a stakeholders’ engagement forum which is comprised of the following representatives:

- The chairperson of the forum, the IPED Portfolio Councillor (CHDM);
- The IPED/ Technical Services Portfolio Councillors of (all eight Local Municipalities);
- Housing officials (both in the CHDM and in all eight Local Municipalities);
- Infrastructure and town planning officials (both in the CHDM and in all eight Local Municipalities);
- The Eastern Cape Department of Human Settlements (Provincial and Regional Representatives);
- Representatives from various sector departments; and

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All other stakeholders relevant to the housing function.

Additionally, the CHDM, in partnership with the Coega Development Corporation, has signed an Advanced Socio-Economic Development and Transformation through Infrastructure Development Agreement. This agreement seeks to facilitate skills development of local labour, including internship programmes and emerging enterprise development, including cooperatives.

As was noted hereon earlier, the CHDM is only responsible for the construction of emergency disaster houses. In terms of this function, the current backlog is a 1300 disaster houses. Of the 1300 houses to be built, 427 were approved for the 2012/2013 financial year and the distribution is listed as follows:

- Intsika Yethu LM = 67
- Lukhanji LM = 75
- Emalahleni LM = 49
- Sakhisizwe LM = 65
- Engcobo LM = 73
- Tsolwana LM = 44
- Inkwanca LM = 24
- Inxuba Yethemba LM = 30

To date, of the 427 approved houses, 173 beneficiaries have been approved for subsidy application. 10 emerging contractors in Grade 1 CIDB from (Ngcobo 5; Tsolwana 3 and Sakhisizwe 2) have been appointed by Coega through a developmental programme where Coega will manage and mentor them so as to get a better grade of CIDB. More contractors are still expected to be appointed in the programme.

Through the office of the Executive Mayor 8 destitute houses have been identified to be constructed in all LMs using Ingcibi and local resources available in that particular area. The main focus of the programme is on child headed families; victims of violence; old age people; HIV and AIDS victims and so on.

The programme started at Lukhanji; Emalahleni; and Tsolwana. Lukhanji house has been handed over on the Mandela day; the other two houses are expected to be handed over during the Exco Outreach in September 2013.

The other housing projects are implemented by the Eastern Cape Department of Human Settlements together with Local Municipalities and the current backlog in terms of that is stipulated in the following graphs:

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The graph above demonstrates that the greatest housing shortage is in Engcobo local municipality, followed by Intsika Yethu and Emalahleni Local Municipalities. The graph on the other hand suggests that Inxuba Yethembha does not have any shortages in terms of housing.

Whilst graph 11 indicates the percentages, graph 12 above displays the actual numbers per local municipality.

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1.4.2.2. Key Issues in Housing Development

Skill development programme

CHDM has embarked on the process of assisting Local Co-operative clay brick makers in the district in partnership with the Chris Hani Cooperative Development Center with the aim of getting an accredited clay brick that can be used to construct housing projects within the district. The programme has been piloted at Ikwanca Local Municipality and thereafter it will be rollout to other LMs. The service provider Cermalab was appointed through CDC to train cooperatives at Molteno with 14 Members (12 Females, 2 Males and None Youth Members) and Sterstroom Site with 15 Members (6 Females, 9 Males and None youth members).

The bricks produced during training at Sterkstroom met the required strength of 4MPA and the bricks produced at Molteno did not meet the required strength however the service provider is still on site trying to get the required strength for that site. The main challenge identified at Molten was that their soil has shale which makes it difficult to be ground to make fine aggregates. Hammer mill has been procured to grind the shale with the hope that positive results will be acquired at Molten.

As part of the programme CHDM has established both sites for Molteno and Sterstroom. 4 brick production machinery have been purchased; 1 hammer mill has been purchased; 50 x50m fencing is under erection; 12 x 6m steel sheds have been constructed. CHDM has provided cooperatives with protecting working clothing, rain water tanks etc.
Capacitating local municipalities

Capacity and support to local municipalities and other stakeholders with regard to housing delivery is being provided in line with the Housing Act. Local municipalities are guided on how to develop their Housing Sector Plans and assisted in the monitoring of housing projects. They are also provided with support on planning and implementation of subsidy projects towards integrated settlements and coordinating the formulation and review of housing policy and legislation. Items to be highlighted in the Housing Development Plan:

- Local context, spatial context, demographic context, economic context and social context;
- Current housing demand;
- Land identification;
- Current housing situation;
- Planned projects;
- Integration with other sectors;
- Spatial Development Plan;

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1.4.2.3. Town Planning Function

Part B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, places the function of town planning on Local Municipalities. However, in line with the position as taken by the Council of the CHDM of providing hands on support to all its Local Municipalities, and also in adherence to the prescripts of the Local Government: Municipal Structures Act, 117 of 1998, the CHDM has, through its Development Planning Unit of the Integrated Planning and Economic Development Directorate (IPED), made available the position of the town planner with the task of assisting Local Municipalities in the following aspects:

- Determine the efficiency and consistency of municipal spatial tools, i.e.; SDFs, GIS and LUMS in addressing spatial matters;
- Identifying and prioritising municipalities requiring urgent assistance particularly those without the services of a town planner;
- Ensure alignment of SDFs in terms of development, review and implementation;
- Provide technical support to Local Municipalities in terms of developing credible SDFs; and
- To keep abreast of legislation and trends as this relates to town planning.

Furthermore, the Development Planning Unit has established the District Town Planners Forum whose main objectives are to look at specific town planning issues affecting the function throughout the district. This forum is comprised of town planners/land use and/or spatial planning officials from the CHDM and all its local Municipalities.

1.4.2.4. Spatial Planning

Preparation and approval process of SDF:

In line with the legislative requirements, during the financial year under review, the CHDM undertook a process of reviewing its Spatial Development Framework (SDF) as was approved in 2004. The objectives of this review were to ensure:

- The alignment between the strategic approach to managing development investment in the district embodied in the original SDF and current government policy as embodied by –
  - The National Spatial Development Perspective;

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The Eastern Cape Provincial Growth and Development Plan; and
Other relevant legislation governing development planning

The incorporation of the latest available data on social (demographic), economic and infrastructural development indicators; and

The building into the SDF latest information derived from new and/or revised sector plans data-sets and spatial proposals.

Land use management:

Whilst the CHDM currently does not have an express role to play in terms of land use management, the enacting of the Spatial Planning and Land Use Management Bill 2013 is a stepping stone towards a uniform and progressive Land Use management system i.e. Chapter 4, 5 and 6 of the Act seek to address issues such as preparation of SDF’s, municipal planning tribunals & their composition as well as municipal land use planning. Though it should also be noted that from a provincial level there is legislation that still needs to be repealed in order for the act to be effective which is the reason why the Department of Rural Development and Land Reform has also embarked on course of involving District Municipalities, Department of Local Government and Traditional Affairs as well as interested and affected parties in the development of the provincial planning legislation.

In its SDF the CHDM has set guidelines in terms of the land development character of the District as a whole. Of note, however, in relation to the land question is the issue of obtaining land for development purposes, particularly as this relates to the former Transkei areas. The CHDM has been actively involved to ensure that it influences government processes to ensure that individual rights to land through title deeds is ensured so as to ensure security of tenure and development progress.

Furthermore, in its endeavours to define the district’s spatial rationale, the CHDM Spatial Development Framework focuses on the strengthening of linkages between the different centres within the CHDM region and their relationship with centres outside the boundaries of CHDM. This led the CHDM to adopting the Small Town Development approach that is aimed at accelerating development through the identification and alignment of economic activities to ensure value chain addition. The Small Towns Development approach looks at the process of shaping small town & villages by drawing together the many strands of place making, Environmental stewardship, social equity & economic viability into the creation of places with aesthetic appeal.

The Chris Hani Regional Economic Development Strategy highlighted the need to identify and prioritise small towns along the economic corridors that have the potential to participate
actively in the value chain of the differentiated sectors, and to implement small town development initiatives. Cofimvaba was identified as one of the towns that had the potential to grow as it is one of the main service centres on the R61 east corridor. This culminated in CHDM and the Intsika Yethu local municipality, with the assistance of the Department of Local Government and Traditional Affairs, embarking on the Small Town Revitalisation Strategy for Cofimvaba and Tsomo.

The Small Town Revitalisation, Greening and Beautification concept is aimed at creating a development plan with a 30 year future outlook of its growth potential, as well as creating a plan that seeks to realise that potential. The plan does not place the district or the IYLM as the sole role players in the realising of the developmental objectives of the Cofimvaba and Tsomo towns, but rather looks at creating plans to be used as a spatial guiding foundation that assists stakeholders/investors in defining their roles in the overall growth/development of these towns. The following reflect the aims behind Small Town Development:

- Strengthen the retail, business, industrial and employment role of the town centres;
- To develop the community, civic and educational roles of the two centres as key attributes of vibrant town centres;
- Build on the unique function of each of the sub-centres serviced by these major centres as a defining characteristic of these areas and a contribution to the Corridor Development Initiative in the district;
- Improve connections between the sub-centres and encourage activities adjoining access routes between the major centres and the sub-centres to create a more physically contiguous and integrated town centre service area;
- Consolidate the individual roles of the centres so that they can better serve the sub-centres, and act as destinations for sub-centre communities by providing an extensive and unique range of retail, community and leisure opportunities;
- Encourage new housing in and around the town centres that increases the range of housing choices;
- Create an attractive and distinctive built environment that supports the range of activities of the town centres; and
- Create a positive urban image for each part of the town centres through the design of buildings and spaces.

The Land Reform Area-Based Plan (ABP) is a sector plan of the municipality, to be implemented in partnership with the Department of Rural Development and Land Reform, the Department of Agriculture and the Chris Hani District Municipality. The Area-Based Plan is
aimed at ensuring the achievement of local land reform objectives and targets in a coordinated and integrated manner with other development initiatives.

The Land Reform ABP Vision is:

**A transformed farming community that is:**
- Reflective of a racially diverse rural population living in harmony, with tenure, social and economic security; and
- Agriculturally productive in all municipal areas, producing food for the population in an economic and environmentally sustainable manner.

**Transformed communal settlement and land areas that are:**
- Reflective of households with secure and defined tenure rights, which are protected by law;
- Reflective of an efficient and effective system of administration of the land and the management of the use of the land; and
- Agriculturally productive, with allotments and commonages producing food for the household and, and where appropriate, on a commercial basis, in an economic and environmentally sustainable manner.

Objectives and Targets for the Municipal ABP are:

**Redistribution**
- **a)** In terms of the national policy objective of achieving a 30% redistribution of white owned farmland.
- **b)** In terms of the national policy objective of productivity on redistributed farms. Farms redistributed achieve at least 80% of envisaged production output estimated in the Project Business Plan, and generate at least 75% of envisaged beneficiary income estimated in the Project Business Plan within five years from land occupation by the beneficiaries, with output and income steadily increasing from its baseline in year one.

**Communal land management**

The key focus areas for land reform in the communal land areas have been identified as:

1) Land Administration (by which is meant, in this ABP, dealing with the key issues of land allocations, and recording and managing land rights in communal land areas);
2) Tenure reform or, more specifically, land rights clarification, upgrading or formalisation (achieving recognised security of tenure); and
3) Dealing with issues of settlement planning and land use management (for example, to better permit natural resource utilisation for economic development and/or manage such natural resources to ensure appropriate land use and prevent resource degradation).

Strategies applied to deal with these focus areas are:

1) To implement a targeted programme of local planning processes in areas prioritised by local municipalities.
2) To secure management support from the district municipality and the Department of Rural Development and Land Reform for local planning process projects.
3) To establish a capacity building programme in support of local planning projects being implemented.

The institutional framework for implementing the ABP comprises:

a) Establishing local land reform offices with a Land Reform Administrator;

b) Establishing and convening a local land reform committee;

c) Participating in the District Land Reform Forum; and

d) Implementing and managing the Small-Scale Farmer Support Programme.

All programmes and projects are subject to implementation funding from the Department of Rural Development and Land Reform, and (for relevant aspects) from the Department of Agriculture or other Departments.

1.4.2.5. Major Challenges in Spatial Planning Services and Remedial Actions

There is much concern about land administration in terms of land allocation, the recording of issued land rights and the management of land use processes in rural settlement areas in the former Ciskei and Transkei areas. This is caused by a breakdown of formal systems in the communal land areas which has resulted in the informalisation of practices whereby various role-players like traditional authorities, the Department of Agriculture and ward councillors allocate land and record such allocations. The problem of land administration has repercussion on land management because it results in conflicts between land uses in the rural areas.

DEVELOPMENT CHALLENGES:

All the land for development in the urban areas is owned by the municipality and private individuals, whilst the state owns the rural land in the former Transkei and Ciskei areas. Whilst land is available for development, it is not quantified, ownership issues are unclear and zoning
schemes and spatial development frameworks are outdated and inadequate in providing direction for future and current development needs. Differentiated land tenure issues (ownership of land in the urban areas and former CPA areas is held by free-hold title deeds while in the rural areas it is generally communal) is creating tension and delays in development projects. This current fragmented land tenure system and the different planning legislation aligned to it creates difficulty in:

- Accessing of land for development, primarily for housing, grazing or farming;
- More effective utilisation of existing land, addressing land rights, provision of title deeds and management and rights on the municipal commonage; and
- Developing an effective land administration system by encouraging the development of land audits in local municipalities this can also assist in revenue collection by supplementing the info on the existing Municipal Valuation rolls.

Table 4 below indicates the performance of the municipality in terms of the national indicators set for the housing and town planning function:

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (Actual numbers)</th>
<th>Target set for the f. year under review</th>
<th>Number of HH/customer reached</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households living in informal settlements</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2 Percentage of informal settlements that have been provided with basic services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>3 Percentage of households in formal housing that conforms to the minimum building standards for residential houses</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**TABLE 4:** Annual performance as per key performance indicators in housing and town planning services

1.4.2.6. The Local Economic Development Strategy / Plan

The philosophy underpinning the basic understanding in the of the CHDM Council in relation to the economic trajectory of the District is that of

“positioning the region in such a way as to maximise the economic potentials offered by its natural endowments and making choices about where to allocate scarce resources to ensure maximum impact so that the region gets the best possible economic leverage to achieve its economic and social objectives”

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Based on this understanding, the economic development vision and strategic intent of the District is determined as follows:

<table>
<thead>
<tr>
<th>CHDM Economic Development Vision</th>
<th>The District grows and develops through social partnerships so that all people benefit from the economy and have equitable access to social services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Economic Strategic Intent</strong></td>
<td>Maximise the economic value and job creation potential of the District through a focus on the strengthening of the comparative advantages of priority sectors and creating a distinctive competitive advantage in the timber and livestock production and processing sectors</td>
</tr>
<tr>
<td><strong>Strategic Differentiation</strong></td>
<td>Prioritisation of timber and livestock sectors and the allocation of dedicated funds and resources to create a distinctive competitive advantage or strategic differentiation for the District</td>
</tr>
</tbody>
</table>

**TABLE 5: CHDA Strategic Intent**

To drive this broad vision of the District, the 2006 Growth and Development Summit (GDS) identified the following as the priority sectors for economic growth in the District:

- Agriculture and agro-processing
- Forestry and wood processing
- Tourism
- Construction
- Manufacturing
- Trade and business services

To give meaning and to effect the vision of Council, in 2009, the CHDM Council approved the Chris Hani Regional Economic Development Strategy (CHREDS) as the principal plan to guide all economic activities undertaken within the District area. This Council’s Vision was since strengthened in the 2011/12 Financial Year with the approval of the District’s Developmental Agenda.

1.4.2.7. LED Institutional Arrangements and Capacity

To implement this strategy, the Council approved an organogram which would put in place the LED Unit. The LED Unit is housed in the Integrated Planning and Economic Development Directorate (IPED) of the CHDM and currently has a staff complement of eight which is comprised of the LED Manager who has the overall responsibility for the implementation of
LED programmes and reports directly to the IPED Director, as well as the following officials who report to the LED Manager:

- Forestry Development Officer;
- SMME Development Officer;
- Tourism Development Officer;
- 2 x Agricultural Development Officers;
- Heritage Development Coordinator;
- Community Development Officer; and
- Administration Clerk

Furthermore, to ensure that LED programmes are coordinated and implemented in an integrated manner, the LED Unit has established the following fora to ensure that all stakeholders are part of the LED processes:

- Tourism and Heritage Forum;
- Business/SMME Forum;
- Agricultural Forum;
- District Support Team;
- Reference Group;
- Cooperatives Forum; and
- LED Forum

On an annual basis, the fora sit at least once a quarter notwithstanding the fact that these structures may sit at any time if and when circumstances necessitate that.

1.4.2.8. Chris Hani Regional Economic Development Agency

The strategy identified the need for the establishment of the District Economic Development Agency.

The primary focus of the Economic Development Agency will be:

- Targeted resource mobilisation and the management of ring-fenced fund
- Implementation of the corridor development plan
- Agro processing
- Access to financing
- Sub-sector value chains and clusters development
- Targeted skills development
- Institutional framework for formal collaboration

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Commercialisation of underutilised public assets

1.4.2.9. Corridor Development

The LRED strategy also identified the need for Corridor Development approach.

The four economic corridors, as defined by stakeholders, cut across different local municipalities and are as follows:

- Corridor 1: Queenstown → Cofimvaba → Tsomo → Ngcobo
- Corridor 2: Queenstown → Lady Frere → Cala → Elliot → Indwe → Dordrecht
- Corridor 3: Middelberg → Queenstown → Hofmeyr → Takastad → Cradock
- Corridor 4: Queenstown → Molteno → Sterkstroom → Middelburg

Programmes and Projects

For the financial year under review, a number of projects were implemented all of which were funded from the budget of the CHDM. Below is a tabulation of all the programmes that were implemented. The details in terms of the status on each project are contained in the annual performance report as reflected in Chapter 3 of this report.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Project</th>
<th>Description</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Agency</td>
<td>Establishment of the Chris Hani Development Agency</td>
<td>Monitoring of functionality and sustainability of Development Agency</td>
<td>R1.5 Mill</td>
</tr>
<tr>
<td>Small Town Revitalisation</td>
<td>Strategy Development</td>
<td>Develop strategies to revitalise small towns within the District</td>
<td>R1 Mill</td>
</tr>
<tr>
<td>Forestry Development</td>
<td>Tree Nursery</td>
<td>Continuous support to the Tree Nursery Project</td>
<td>R500 000</td>
</tr>
<tr>
<td></td>
<td>Charcoal Project</td>
<td>Continuous support to existing Charcoal programmes</td>
<td>R700 000</td>
</tr>
<tr>
<td>Tourism Promotion and Development</td>
<td>Implementation of Tourism Integrated plan</td>
<td>Tourism/SMME support rendered</td>
<td>R500 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Tourism Institutional Framework</td>
<td>R1 Mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Destination marketing</td>
<td>R500 000</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Facilitate, Support and Develop enterprise within the district</td>
<td>Financial Cooperative support &amp; Mentorship</td>
<td>R2M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial support to SMMEs and Mentorship</td>
<td>R2M</td>
</tr>
<tr>
<td></td>
<td>Retail Sector Support</td>
<td>This one was abandoned</td>
<td>R1.5 Mill</td>
</tr>
</tbody>
</table>
### TABLE 6: LED Projects

1.4.2.10. Progress towards Achieving the LED Key Objectives

**Improved public and market confidence**

Through the facilitation and coordination of the Tourism and Heritage Development Programmes, the following was achieved:

- **Under the Destination Marketing and Management programme:** District Crafters were exposed to and participated at the MACUFE in Bloemfontein. CHDM, in partnership with Department of Sport, Recreation, Arts and Culture (DSRAC) hosted a successful Flea market. CHDM also exhibited at the Tourism Indaba 2012 and at the Beeld Show.

- **Tourism SMME Support:** The crafters have been trained. The District hosted Tourism SMME Network session

```
<table>
<thead>
<tr>
<th>Youth Mobile enterprise support</th>
<th>assist 20 mobile youth entrepreneurs</th>
<th>R1 Mill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleasing of CHDM database and BBBEEE scoring and grading of SMMEs</td>
<td>Undertake cleansing of a database and grading of suppliers, assist them for BBBEE scoring.</td>
<td>R1.5 Mill</td>
</tr>
<tr>
<td>Heritage Development</td>
<td>Chris Hani Liberation Heritage Route</td>
<td>R1.6 Mill</td>
</tr>
<tr>
<td>Heritages initiatives supported and developed</td>
<td>Sabalele Multi-purpose centre</td>
<td>R600 000</td>
</tr>
<tr>
<td>Events</td>
<td>Allocation to Lukhanji LM</td>
<td>R2.3 Mill</td>
</tr>
<tr>
<td>Agricultural Development</td>
<td>Hosting of heritage events</td>
<td>R3.2 Mill</td>
</tr>
<tr>
<td>Conduct livestock improvement programmes</td>
<td>Review and implementation of TEBA MOU development and implementation of District Agriculture master plan</td>
<td>R3.5 Mill</td>
</tr>
<tr>
<td>Livestock Infrastructure (shearing sheds Goboti and Gqaga and wool processing</td>
<td>Cala Abattion</td>
<td></td>
</tr>
<tr>
<td>Dairy projects supported</td>
<td>Post settlement support (LRAD Farmers)</td>
<td>R300 000</td>
</tr>
<tr>
<td>Irrigation Schemes supported</td>
<td>Shiloh Dairy and Ncora</td>
<td>R1 Mill</td>
</tr>
<tr>
<td>Massive food programmes implemented</td>
<td>Qamata Ncora Shiloh Bilatyi and seven small schemes</td>
<td>R3.6 Mill</td>
</tr>
<tr>
<td>Cropping allocation to LMs</td>
<td>Dry land Cropping</td>
<td>R3.5 Mill</td>
</tr>
<tr>
<td>Wine production</td>
<td>R1 Mill</td>
<td></td>
</tr>
</tbody>
</table>
```
Chris Hani Month 2013 was also successfully hosted. During this period, highlights included the unveiling of Chris Hani Statue at Sabalele, inaugural Chris Hani Marathon at Sabalele as well the launch of two Liberation Heritage Route songs.

Chris Hani Liberation Heritage Route: To continue with the process of Heritage Development, the remainder of the information sign boards were erected. Spatial heritage designs for the sites have been developed.

Heritage and Tourism month was successfully hosted in September 2012. During this period, District Choral Music, Jazz and Arts Festival as well as other activities were supported.

Sabalele Multi-Purpose Centre which is now known as the Chris Hani Development Centre has been completed including Early Childhood development Centre. Staff for the centre are already in place. Two cooperatives (sewing and crafts) are on site. The total employment through the centre is 117 people.

The service providers for the development of Heritage Development Strategy has been appointed.

Tourism Institutional Framework: DRAFT generic Service Level Agreement (SLA) for Local Tourism Organisations (LTO’s) within the District has been developed. Engagements were held with all the LTO’s.

1.4.2.11. Exploit Comparative and Competitive Advantage for Industrial Activities

Wood Cluster (Forestry) Programmes

The Tree Nursery Project, situated at Kwa-Jo, benefiting 15 young people from Engcobo, Intsika Yethu and Sakhisizwe municipalities has reached the operational stages. Planting of Indigenous and commercial seedlings have been commenced with Charcoal production: one of the two charcoal kilns has been operational at Engcobo (Goso) charcoal project and the other one was being used as the store room.

The Engcobo project is operational – charcoal is being produced. And 32 people are employed (beneficiaries) and being remunerated under EPWP fund from Engcobo Municipality.

The recently-established Sakhisizwe Project has been stalled due to irregularities on the EPWP programme. CHDM has also been working on recovering the money from the Service provider that did not deliver the equipment (kilns) to site.

Sasol has been brought on board to assist with market identification, skills development and value-chain establishment for both Engcobo and Sakhisizwe charcoal projects.
Sasol Chem-City has developed a business model for two charcoal projects to ensure their sustainability and also donated two charcoal kilns that will be installed at Sakhisizwe.

The Department of Agriculture Forestry and Fisheries (DAFF) assisted the beneficiaries with charcoal manufacturing and chainsaw training for both projects while they also conducted financial management training for Engcobo beneficiaries.

**Agricultural Development Programmes**

The programme of Irrigation Schemes Revitalisation has been continued with.

This saw CHDM partnering with the Department of Rural Development and Agrarian Reform (DRDAR) and Department of Rural Development and Land Reform (DRDLR) in supporting Qamata, Ncorha, Shiloh and Bilatye Irrigation schemes.

The District has partnered with DRDAR and DRDLR for the development Ncorha Dairy, as well as continuation of a dairy and vineyard project at Shiloh Irrigation Scheme with employment of 67 people.

The Livestock programme in partnership with TEBA Development has been rolled out in six LM’s within the District. As at the close of the financial year, 40 people were employed.

The Dryland Cropping Programme has seen the following projects being supported: Ncedisizwe Secondary Cooperative (Engcobo LM) and Emalahleni Sorghum production and Sorghum Mill establishment (Emalahleni Municipality). Currently, in excess of 1000 ha has been ploughed.

The District Municipality has constructed the Goboti shearing shed as part of the support for Wool Production programme. The support was since extended to Gqaga Administrative area for the construction of a shearing shed and handling facilities.

**Intensify enterprise support and business development**

Training was conducted for SMME’s and Co-operatives.

10 enterprises were assisted during the financial year.

Three information-sharing and marketing sessions were held.

CHDM, in partnership with the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) funded and established a Co-operative Development Centre.

The process of establishing an incubator in which six enterprises were to be mentored was started. Six enterprises were identified for the programme but it could not take off because of lack of factory space.
Support on social investment program

- The IPED Directorate continues with the implementation of EPWP programme through Cooperative Development Centre (started in November 2010) after it was extended to other departments from Engineering Directorate.
- The programme was meant to identify and assist co-operatives that have a potential to grow by paying them a stipend to encourage them and also create jobs.
- 68 co-operatives participated and 829 jobs were created.
- The District facilitated the establishment of partnerships with institutions of higher learning to improve entrepreneurial development skills.
- Engagements with the Walter Sisulu University were initiated for the purpose of establishing an SMME/Co-operative incubator.

Table 7 below indicates the performance of the municipality in terms of the national indicators set for the housing and town planning function:

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Target set for the year</th>
<th>Achievement level during the year (absolute figure)</th>
<th>Achievement percentage during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of LED Budget spent on LED related activities.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Number of LED stakeholder forum held</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>3 Percentage of SMME that have benefited from a SMME support program</td>
<td></td>
<td>A number of initiatives were implemented which focused on supporting SMMEs from the various LED perspectives, i.e., tourism, small business development, agriculture and so on. For additional details on these programmes see annexure C: Annual Performance Report.</td>
<td></td>
</tr>
<tr>
<td>4 Number of job opportunities created through EPWP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Number of job opportunities created through PPP</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 7:** Annual performance as per key performance indicators in LED
1.4.2.12. Challenges regarding LED Strategy Implementation

The challenges regarding LED Strategy implementation include, *inter alia,*

- Non availability of resources such as land (operating space) for SMME’s
- Lack of funding/ Limited budget for implementation of identified programmes or projects
- Delays in the procurement processes affecting implementation of projects
- Huge infrastructure costs to replace the decaying economic infrastructure
- Lack of clear beneficiation model for the project beneficiaries
- Lack of sustainability or exit strategy for the projects supported
- Poor coordination of programmes by various stakeholders and role players
- Lack of commitments by some partners in implementing the identified projects

1.4.3. Engineering Services

The Engineering department is responsible for the following functions:

- Bulk water services;
- Bulk sanitation services;
- Roads maintenance (this in terms of the Service Level Agreement entered into with the Department of Roads and Public Works in the Province);
- Geographic information systems

Huge allocation of the Chris Hani District Municipality capital budget is being managed by this Directorate. Due to high demand from communities to have access to basic services, it creates a knock on effect to the directorate to ensure that it manages and delivers these services within the stipulated times. The directorate is pivotal in the fight against unemployment and poverty which is translated into contracts that benefit communities, small entrepreneurs and private sector. The district municipality’s economic growth is mainly sustained by the construction industry which in turn is supported by funds through programmes from different sector departments. As a directorate it has to ensure that these funds benefit the community as a whole through good governance, accountability and transparency. Achieving the millennium development goals still remains our biggest challenge.

Objectives

- Eliminate backlog on water and sanitation
- Provision of water and sanitation through service delivery contracts with the 8 Local Municipalities
- Provide transport plan
Maximise job creation through Expanded Public Works Programme
Provide bulk and economic infrastructure
Build the capacity of emerging contractors through EPWP

1.4.3.1. Domestic Water and Sanitation Provision

Interventions under taken:

- EPWP (Expanded Public Works Programme)
- Provision of Infrastructure - Municipal Infrastructure Grant (MIG), RBIG and ACIP
- Water Service Provision through a Service Delivery contract with 8 of the local municipalities within the District (Operation and Maintenance)
- Road Maintenance
- Refurbishment of aging infrastructure through ACIP funding

1.4.3.2. EPWP (Expanded Public Works Programme)

The programme is mainly divided into two components namely the Vukuphile programme and the creation of jobs which is translated into work opportunities.

Vukuphile programme focusses on the development of local contractors so that they can attain higher CIDB grading. This would enable them to compete with more established contractors during the tendering phases.

To date all the 23 learners contractors which are the recipients of the programme received theoretical training and further mentored on the job in various construction sites throughout the District. They successfully completed various projects which forms part of the District Municipality’s.

Water and Sanitation backlog elimination strategy.

Maximising the creation of jobs primarily focussed on two areas namely:

- Minimisation in the use of machinery in the implementation of all projects that are implemented by the District.
- Internship programme where unemployed graduates had been employed on a 2 year contractual bases and placed in different work streams in order for them to acquire valuable work experience.

Targets

About 1500 full time equivalent jobs were created against a target of 1241 that had been set for the year
1.4.3.3. Municipal Infrastructure Grant (MIG)

The District Municipality managed to spend all its allocated MIG funds for the 2012/2013 financial year. MIG funds remains the major funding source which is primarily used to build basic water and sanitation infrastructure that would benefit the majority of the District’s indigent population. Total amount of R 345.24 million was spent and the tables below are the villages and households that benefited under the programme.

Water

<table>
<thead>
<tr>
<th>VILLAGES NAME</th>
<th>LOCAL MUNICIPALITY</th>
<th>POPULATION SERVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 5 Mqabob, Jojweni; Mnghapeskeya, Mhlangwini, Mntuntioni water supply</td>
<td>Engcobo</td>
<td>212</td>
</tr>
<tr>
<td>Ward 15 phase 2 contracts c,d,f.g.b water supply</td>
<td>Intsika Yethu</td>
<td>1461</td>
</tr>
<tr>
<td>Bankisi waer supply</td>
<td>Emalahleni</td>
<td>258</td>
</tr>
<tr>
<td>Cluster 8 Mqonci water supply</td>
<td>Engcobo</td>
<td>284</td>
</tr>
<tr>
<td>Tsomo 2005 / 2 water supply</td>
<td>Intsika Yethu</td>
<td>2192</td>
</tr>
<tr>
<td>Cluster 6 Emgudu water supply</td>
<td>Intsika Yethu</td>
<td>395</td>
</tr>
<tr>
<td>Cluster 6 scheme 4 Gqaga water supply</td>
<td>Engcobo</td>
<td>200</td>
</tr>
</tbody>
</table>

**TABLE 8:** Population served with water

Sanitation

<table>
<thead>
<tr>
<th>VILLAGES NAME</th>
<th>LOCAL MUNICIPALITY</th>
<th>POPULATION SERVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region 1 Engcobo (includes learner contractor) Villages Complete</td>
<td>Engcobo</td>
<td>8837</td>
</tr>
<tr>
<td>Region 2 (include learner contractor)</td>
<td>Intsika Yethu</td>
<td>6675</td>
</tr>
<tr>
<td>Region 3 Emalahleni Sakhisizwe</td>
<td>Sakhisizwe and Emalahler</td>
<td>7101</td>
</tr>
<tr>
<td>Region 4 Lukhanji Tsolwana</td>
<td>Lukhanji and Tsolwana</td>
<td>2411</td>
</tr>
<tr>
<td>Mackays Nek Phase 1</td>
<td>Emalahleni</td>
<td>2848</td>
</tr>
<tr>
<td>Mackays Nek 2A</td>
<td>Emalahleni</td>
<td>811</td>
</tr>
<tr>
<td>Ntsoni Venfolo</td>
<td>Intsika Yethu</td>
<td>120</td>
</tr>
</tbody>
</table>

**TABLE 9:** Population serviced with sanitation

Listed below fare Basic Service Delivery & Infrastructure achievements in 2012/13 financial year with regards to set targets

<table>
<thead>
<tr>
<th>TARGET</th>
<th>TARGET HOUSEHOLDS</th>
<th>TARGET DATE</th>
<th>ACHIEVEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of Basic Water</td>
<td>8308</td>
<td>June 2011</td>
<td>5002</td>
</tr>
<tr>
<td>Provision of Basic Sanitation</td>
<td>25109</td>
<td>June 2011</td>
<td>28 803</td>
</tr>
</tbody>
</table>

**TABLE 10:** Key basic services achievements
The challenges that were faced during the year were the rate and pace at which the MIG Funding was spent which resulted in Council lending and amount of R150 million in the form of Bridging Finance.

**Regional Bulk Infrastructure Grant (RBIG)**

The National Department of Water Affairs approved funding under RBIG for 10/11 financial year to value of R169,4 million for work in Clusters 4, 6, 9, Xonxa Augmentation of Queenstown, Hofmeyer/Middelburg water supply and Tsomo RDP 2 Northern bulk line.

Challenges faced on the RBIG program is counter funding of projects. This matter has been referred to council for further engagement with the relevant department. The issue of water use licenses the District Municipality still awaits approval of cluster 7 water use licenses to be able to get this project registered on the RBIG program for funding.

**Accelerated Comprehensive Infrastructure Program (ACIP)**

The Department of Water Affairs funded 19 million rand during the 2009/2010 and 2010/2011 financial years. All projects namely Cradock WWTW, Sterkstroom WWTW, Engcobo WWTW, Lady Frere WWTW were completed. Projects were also partially funded in Instika Yethu and Engcobo. The only challenge that still faces the District Municipality is that claims for work done have not been paid by the funding Department to the District Municipality, The municipality has paid the services providers for the work done.

**Water Services Provision**

The Water and Sanitation Services is provided through a contract between the CHDM and its 8 Local Municipalities. There are areas of performance that were identified mainly the ability of the local municipalities to collect the water and sanitation revenue from its consumers. The other area of performance relates to the inability of the Waste Water Treatment plants to produce effluent which meets the legislature standards. The reasons for this is the state of dilapidation of these treatment works. Huge capital investment is needed to put these in an acceptable standards. The tables that follow give an indication of the performance of the municipality in respect of the national targets set for water and sanitation. However, it must be noted that some of the areas included in the tables are not applicable to the district municipality, this as a result of the allocation of powers and functions across the three spheres of government.

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (actual numbers)</th>
<th>Target set for the FY under review (actual numbers)</th>
<th>Number of HH/customer reached during the FY</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households with access to potable water</td>
<td>85 208</td>
<td>85 208</td>
<td>8308</td>
<td>5002</td>
<td>60.2%</td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
TABLE 11: Annual performance as per key performance indicators in water services

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (actual numbers)</th>
<th>Target set for the f. year under review</th>
<th>Number of HH/customer reached</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households with access to sanitation services</td>
<td>33 345</td>
<td>33 345</td>
<td>25 109</td>
<td>28 803</td>
<td>114%</td>
</tr>
<tr>
<td>2 Percentage of indigent households with access to free basic sanitation services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>4 Percentage of clinics with access to sanitation services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>5 Percentage of schools with access to sanitation services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

TABLE 12: Annual performance as per key performance indicators in sanitation services

Roads

The Chris Hani District Municipality managed to successfully secure a 3 year Services Level Agreement (Road Maintenance Contract) with the Department of Roads & Public Works starting from the beginning of April 2009. The Contract is limited to Provincial Proclaimed Roads within the Inxuba Yethemba Area. The project has a total budget of 67.5 Million. An allocation of 20 Million was committed for the 2010/11 financial year, continuing with 22.5 Million and 25 Million for the 2011/12 and 2012/13 fiscal year respectively.

The budget was spent in full for the 2010/11, 2011/12 and 2012/13 years respectively for maintenance work in mentioned area. The District Municipality also secured a new 3 year Service Level Agreement starting from the1 April 2013. The Chris Hani District municipality will concentrate its effort in the Inxuba Yethemba Local Municipality but will be required to maintain gravel roads outside this Local Municipality. It is envisaged that the Chris Hani District Municipality will maintain one third of the roads within the Tsolwana Local Municipality as per
approved works plan. An allocation of 74 Million was committed for these 3 years maintenance program.

The Roads Staff has been commended by DRPW, the Agricultural Union and the Roads Forum for their professional implementation of the programme. The roads are of high quality and are maintained on par with the private sector. The program is aimed at all road users particularly the local communities, tourists/visitors, Agriculture and National and provincial funded projects to cater for an Ethanol factory in Cradock.

A special word of appreciation must be extended to the staff members within the Roads Section who contributed more than their fair share in order to ensure the success of the section and on the progress made so far and through that to secure the extension of this program for a further 3 years and that this initiative has and will created additional jobs in the Inxuba Yethemba and Tsolwana Areas and the Local Economy can also benefit tremendously from this Maintenance program. These efforts and sacrifices for excellent service delivery to communities & roads users are not going by unnoticed.

The Municipalities that are not part of the Service Level Agreement are serviced by the Department of Roads and public Works.

<table>
<thead>
<tr>
<th>Measurable Outcome</th>
<th>Roads &amp; Stormwater</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities / Project Description</strong></td>
<td>Routine Roads Maintenance function on the Provincial Roads network located within the Inxuba Yethemba LMA for a period of 3 years with an option to extend the agreement for a further period of 3 years</td>
</tr>
<tr>
<td><strong>Project Leader</strong></td>
<td>Mr FJ Myburg</td>
</tr>
<tr>
<td><strong>Budget 2012/13</strong></td>
<td>R 2,500,000 Allocated R 3,000,000 Flood damage R 5,000,000 Additional Funds</td>
</tr>
</tbody>
</table>
| **Key Deliverables** | • Full spectrum of routine road maintenance activities. (Mainly Regravelling / re-construction and blading)  
• Blading – 2148 Km / Regravelling (a minimum of 30 Km p/year)  
• Three year Service Level Agreement (1 April 2010 – 31 March 2013)  
• Fixed budget of 67.5 Million for the three years. |
| **Due Date** | March 2013 |
| **Percent Complete** | 141.13 % Regravelling 162.32 % Blading |
| **Budget Spent** | R 31,939,574.54 |
**CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT**

**CONSOLIDATED ANNUAL REPORT**

| Total Percentage Complete of Allocated Budget | 100 % |
| Stakeholders / partners                      | Department of Roads & Public Works |

**Challenges**

- Resources Requirement: 95 Employees
  - Permanent Workers: 55
  - Contract Workers: 12
  - Interns: 4
  - 21% of our permanent employees will go off on normal pension between 2010 & 2013 respectively.

**SDBIP Annual Target**

<table>
<thead>
<tr>
<th>SDBIP Annual Target</th>
<th>Actual Work Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blading: 2148 km</td>
<td>Blading: 3486.55 km</td>
</tr>
<tr>
<td>Gravelling: 30 km</td>
<td>Gravelling: 55.04 km</td>
</tr>
</tbody>
</table>

**TABLE 13: Activities as per SLA with Roads and Public Works**

In as far as performance on national targets as indicated in the table that follows, these are not applicable to the CHDM.

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (actual numbers)</th>
<th>Target set for the f. year under review (Actual numbers)</th>
<th>Number of HH/customer reached during the FY</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households without access to gravel or graded roads</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2 Percentage of road infrastructure requiring upgrade</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>4 Percentage of planned new road infrastructure actually constructed</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>5 Percentage of capital budget reserved for road upgrading and maintenance effectively used</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**TABLE 14: Annual performance as per key performance indicators in road maintenance services**

Table 15 hereon below demonstrates the performance of a municipality on national indicators relating to electricity. It must be noted that these remain non-applicable to the CHDM in that this function remains with ESKOM and in some instances carried out by some local municipalities.

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
### TABLE 15: Annual performance as per key performance indicators in Electricity services

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number of household/customer expected to benefit</th>
<th>Estimated backlogs (actual numbers)</th>
<th>Target set for the f. year under review (actual numbers)</th>
<th>Number of HH/customer reached during the FY</th>
<th>Percentage of achievement during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Percentage of households with access to electricity services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2 Percentage of indigent households with access to basic electricity services</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>4 Percentage of indigent households with access to free alternative energy sources</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Summary

A number of challenges relating to the delivery of basic services can be identified. The key challenge in this respect is the limited financial resources at the disposal of the municipality. To this end, practically this means that the municipality will not be able to meet its targets particularly relating to the eradication of the water and sanitation backlogs, on the one hand, and the expansion of the maintenance of the existing infrastructure on the other.

A second key concern of the municipality is the performance of contractors on key projects. One of the key matters that the municipality must address that of growing the economy of the district and thus by extension, efforts must be put in place to ensure that contractors within the district are given a fair opportunity to engage in projects implemented by the municipality. To this end, a contractor development programme was undertaken with a view of enhancing the capabilities of emerging contractors. Indeed, some of these emerging contractors have been executing their tasks with distinction however, in some instances challenges remain. This can also be extended to well established contractors who, given their capabilities, undermine the development efforts undertaken by the municipality.

Conscious of these challenges, the municipality remains committed to delivering on the targets it has set itself and will continue, in the proceeding financial year, to build on the solid foundation that has been created over this financial year and thus strengthen the charge towards universal access to basic services.
1.5 FINANCIAL HEALTH OVERVIEW

Chris Hani District Municipality is 100% Grant dependent. Our major source of revenue is on water a service which is seconded to our 8 local municipalities to be providers of water services. The local municipalities are not collecting and specifically in the financial year under review, the collection rate was at 30% which, which by all standards is unacceptably low. Apart from the grant funding, other sources of income are the following:

1. Investment income;
2. VAT from grants; and
3. Rental income

During the execution of audit, the Auditor General evaluated our financial indicators to establish the financial sustainability for the institution and the outcomes of the assessment are discussed in the section that follows.

Management is responsible for the sound and sustainable management of the affairs of the Municipality and for implementing an efficient, effective and transparent financial management system for this purpose, as regulated by the MFMA. Our audit included a high-level assessment of selected financial indicators as at year-end. The purpose of the assessment is to provide management with an overview of financial indicators to enable timely remedial action where financial health and service delivery may be at risk. The information should be used to complement rather than be a substitute for management’s own financial assessment.

The entity’s financial indicators have been assessed according to the following areas and are set out in the table below:

- Budgets;
- Expenditure management;
- Revenue management;
- Asset and liability management; and
- Conditional grants

<table>
<thead>
<tr>
<th>FINANCIAL INDICATORS</th>
<th>AS AT 30 JUNE 2013</th>
<th>AS AT 30 JUNE 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUDGET MANAGEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Percentage over-spending of the final approved operating expenditure budget</td>
<td>87.2% over-spent</td>
<td>N/A</td>
</tr>
<tr>
<td>1.2 Percentage under-spending of the final approved capital budget</td>
<td>Not under-spent</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>GRANT MANAGEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Percentage over-spending of conditional grants received</td>
<td>8.9% over-spent</td>
<td>24.2% under-spent</td>
</tr>
<tr>
<td><strong>EXPENDITURE MANAGEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Creditor-payment period</td>
<td>185.5 Number of Days</td>
<td>343 Number of Days</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>REVENUE MANAGEMENT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Debtor-collection period (before impairment)</td>
</tr>
<tr>
<td>4.2 Debtor-collection period (after impairment)</td>
</tr>
<tr>
<td>4.3 Debtors impairment provision as a percentage of accounts receivable</td>
</tr>
<tr>
<td>4.4 Debtors impairment provision as a percentage of revenue from goods and services rendered on credit</td>
</tr>
<tr>
<td>4.5 Percentage water losses incurred</td>
</tr>
<tr>
<td>4.6 Percentage electricity losses incurred</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ASSET AND LIABILITY MANAGEMENT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 A deficit for the year was realised (total expenditure exceeded total revenue)</td>
</tr>
<tr>
<td>5.2 A net current liability position was realised (total current liabilities exceeded total current assets)</td>
</tr>
<tr>
<td>5.3 A net liability position was realised (total liabilities exceeded total assets)</td>
</tr>
<tr>
<td>5.4 Percentage of PPE and/or intangible assets impaired</td>
</tr>
<tr>
<td>5.5 Percentage of sundry debtors impaired impaired</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CASH MANAGEMENT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 The year-end bank balance was in overdraft</td>
</tr>
<tr>
<td>6.2 Net cash flows for the year from operating activities were negative</td>
</tr>
<tr>
<td>6.3 Cash and cash equivalents as a percentage of operating expenditure</td>
</tr>
<tr>
<td>6.4 Creditors as a percentage of cash and cash equivalents</td>
</tr>
<tr>
<td>6.5 Percentage by which unspent conditional grants received exceeds cash available at year-end</td>
</tr>
<tr>
<td>6.6 Current liabilities as a percentage of net cash inflows for the year from operating activities</td>
</tr>
<tr>
<td>6.7 Long-term debt as a percentage of net cash inflows for the year from operating activities</td>
</tr>
<tr>
<td>6.8 Employee benefit obligation as a percentage of net cash inflows for the year from operating activities</td>
</tr>
</tbody>
</table>
Based on the above assessment of the municipality's financial indicators, the following was ascertained:

- The excessive over-expenditure may be rooted in poor capital expenditure planning and budgeting, as overspending of funds received may lead the municipality not being able to complete projects that had already been started due to insufficient funds.

- Contractors and suppliers do not get paid timeously this could result in services and goods not being supplied to the municipality by the service providers. The general payment period for the municipality as prescribed by the Municipal Finance Management Act is 30 days. The creditor days are currently 185.5 days, which is excessive when compared to the requirement of 30 days, it is noted that there has been an improvement in the creditor days as compared to creditor days as at 30 June 2012 (343).

- A comparison of the financial indicators for the years represented in the table above (30 June 2012 vs. 30 June 2013) reveals that the municipality is improving in terms of financial stability, under spending of budget has been eliminated and in the current financial period the municipality debt is adequately covered by net cash flows.

- An assessment of revenue management has not been done because the municipality does not directly provide for water and sanitation services. This function is run on behalf of the district by local municipalities. The revenue related to the provision of water is accounted for by the local municipalities.

Following on the assertions by AG, tabulated hereon below is the financial performance of the municipality during the financial year under review.

<table>
<thead>
<tr>
<th>Details</th>
<th>Original budget</th>
<th>Adjustment Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>952029000</td>
<td>970919000</td>
<td>118271270</td>
</tr>
<tr>
<td>Taxes, Levies and tariffs</td>
<td>16004000</td>
<td>910000</td>
<td>18899762</td>
</tr>
<tr>
<td>Other</td>
<td>550000</td>
<td>500000</td>
<td>464417</td>
</tr>
<tr>
<td>Sub Total</td>
<td>968583000</td>
<td>980519000</td>
<td>1202075449</td>
</tr>
<tr>
<td>Less: Expenditure</td>
<td>-450519000</td>
<td>-9659387</td>
<td>-411644226</td>
</tr>
<tr>
<td>Net Total*</td>
<td>518064000</td>
<td>970859613</td>
<td>790431223</td>
</tr>
</tbody>
</table>

* Note: surplus/(deficit)  

TABLE 16: Financial Overview
Table 17 below indicates the operating ratios as follows:

<table>
<thead>
<tr>
<th>Operating Ratios</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Detail</td>
<td>%</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>15%</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>0.1%</td>
</tr>
<tr>
<td>Finance Charges &amp; Impairment</td>
<td>0.32%</td>
</tr>
</tbody>
</table>

**TABLE 17: Operating Ratios**

In terms of the expression in financial ratios, it is clear that employee costs are within the expected norm of approximately 30% to total operating cost; ‘Repairs and maintenance lower than 20% due to accounting shortcomings in the financial accounting system and Finance Charges and Impairment costs below 10% because of the asset register that is still being populated.

**TABLE 18: Total Capital Expenditure**

<table>
<thead>
<tr>
<th>Total Capital Expenditure: Year -2 to Year 0</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detail</td>
<td>Year -2</td>
</tr>
<tr>
<td>Original Budget</td>
<td>342184000</td>
</tr>
<tr>
<td>Adjustment Budget</td>
<td>231897550</td>
</tr>
<tr>
<td>Actual</td>
<td>521421218</td>
</tr>
</tbody>
</table>

The reduction in approved budget during adjustment over the years is a result of anticipated funding that does not materialise and movement of other operating projects that were initially

**GRAPH 13: Total capital expenditure**

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
included in the capital budget to the operating budget. This is evident in the actual capital expenditure for years that is gradually increasing in line with the increases in grant funding.

The municipality remained in a positive cash flow situation and continued to improve on the audit outcome to a qualified opinion in the current financial year resulting from a major drive by management in the clearance of prior year audit findings. The municipality exhausted its MIG allocation during the financial and Council had to provide top up funding to ensure continued implementation of capital projects for the current year. The municipality meets its short term creditors payments and has no long debt obligations and no long outstanding debtors balances.
1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW

1.6.1. Organizational Structure

Section 66 of the Local Government: The Municipal Systems Act (Act No 32 of 2000) as amended requires a Municipal Manager to develop a staff establishment for the municipality and submit the staff establishment to the municipal council for approval. In line with the above legislative framework and other pertinent employment regulations the municipality has reviews its staff establishment for the financial year 2012 – 2013.

Total number of approved positions in the municipality's approved staff establishment is 541 of which 52 are vacant posts. The municipality administration is comprised of the following departments:

- Office of the Municipal Manager and Strategic Management
- Corporate Services Directorate
- Budget and Treasury Office
- Health and Community Services
- Technical Services Directorate
- Integrated Planning and Economic Development

The municipal manager together with five section 57 managers have all signed annual performance agreements for the year under review and submitted to the relevant authorities that is Department of Local Government and Traditional Affairs and Provincial Legislature.

Below is a tabulation of positions per directorate:

<table>
<thead>
<tr>
<th>DIRECTORATE</th>
<th>BREAKDOWN PER DEPARTMENT/ SECTION</th>
<th>TOTAL</th>
<th>FILLED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Municipal Manager</td>
<td>Municipal Manager</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Risk &amp; Compliance</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Manager Office of MM</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Internal Audit Unit</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Office Support</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>Strategic Manager</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
## CONSOLIDATED ANNUAL REPORT

<table>
<thead>
<tr>
<th>Department</th>
<th>Position</th>
<th>Jobs</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Municipal Support</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Executive Support</td>
<td>8</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Council Support</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Communication Unit</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21</strong></td>
<td><strong>12</strong></td>
<td></td>
</tr>
<tr>
<td>Budget and Treasury</td>
<td><strong>Chief Financial Officer</strong></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Secretary</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Admin Clerk</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>AFS and Admin</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Treasury Management</td>
<td>18</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Systems Administration</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>14</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>51</strong></td>
<td><strong>47</strong></td>
<td></td>
</tr>
<tr>
<td>Corporate Services</td>
<td><strong>Director</strong></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Secretary</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Legal and Admin</td>
<td>29</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>13</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Employee Wellness</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Fleet Management</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>ICT</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>61</strong></td>
<td><strong>53</strong></td>
<td></td>
</tr>
<tr>
<td>Integrated Planning &amp; Economic Dev</td>
<td><strong>Director</strong></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Secretary</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Receptionist</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Local Economic Dev</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Dev Planning &amp; Housing</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18</strong></td>
<td><strong>16</strong></td>
<td></td>
</tr>
</tbody>
</table>
**1.6.2. Employment Equity Plan**

The municipality has developed an Employment Equity Plan (EEP) informed and guided by the Employment Equity Act no 55 of 1998 and National Department of Labour’s Code of Good Practice on Employment Equity Plans. The main objective of the plan seeks to achieve reasonable progress towards equity in the workforce. The workforce analysis conducted revealed underrepresentation of persons from designated groups and people with disabilities. Chris Hani District Municipality has reviewed its employment equity in the period under review. The plan is for period of five years to be reviewed per financial year as per the need identified due to various factors. Its main the intention was to ensure that clear targets and goals are in place in advancing the designated group within the workforce.

**1.6.3. CHDM Workforce Profile including People with Disabilities**

<table>
<thead>
<tr>
<th>Occupational Levels</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>C</td>
<td>I</td>
</tr>
<tr>
<td>Top Management</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Senior Management</td>
<td>14</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Professionally qualified and experienced specialists and mid-management</td>
<td>32</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

*TABLE 19: Positions per directorate*

---

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
Above is the total number of employees per occupational levels including persons with disabilities. [A= African, C= Coloured, I=Indian and W= White] as the end of June 2013 including 108 interns.

Total number of employees with disabilities only in each of the following occupational levels:

<table>
<thead>
<tr>
<th>Occupational Categories</th>
<th>Male</th>
<th>Female</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>C</td>
<td>I</td>
</tr>
<tr>
<td>Top Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionally qualified and experienced specialists and mid-management</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision making</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unskilled and defined decision making</td>
<td></td>
<td></td>
<td>39</td>
</tr>
<tr>
<td>TOTAL PERMANENT</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Non – permanent employees</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**TABLE 20: Workforce profile**

**TABLE 21: Disability per occupational level**

### 1.6.4. Staff Development Initiatives during the Financial Year

The Workplace Skills Plan was developed and submitted to the Local Government Sector Education and Training Authority (LGSETA) as Legislated in the Skills Development Act 97 of 1998.
The following training was implemented during the course of the financial year 2012/2013 as per the Adopted Workplace Skills Plan 2012/2013.

<table>
<thead>
<tr>
<th>Name of Course</th>
<th>Course Type</th>
<th>Date of Training</th>
<th>NQF Level</th>
<th>Occupational Category</th>
<th>Number Trained</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITIL Foundation</td>
<td>Short Course</td>
<td>10 – 12 December 2012</td>
<td>n/a</td>
<td>Professionals</td>
<td>2</td>
<td>R 12 528.00</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>Short Course</td>
<td>6 – 7 November 2012</td>
<td>4</td>
<td>All</td>
<td>25</td>
<td>R 65 550.00</td>
</tr>
<tr>
<td>SHE Representative</td>
<td>Short Course</td>
<td>27 November 2012</td>
<td>n/a</td>
<td>All</td>
<td>8</td>
<td>R 10 488.00</td>
</tr>
<tr>
<td>Incident Investigation</td>
<td>Short Course</td>
<td>28 November 2012</td>
<td>n/a</td>
<td>All</td>
<td>5</td>
<td>R 12 540.00</td>
</tr>
<tr>
<td>Development Communication</td>
<td>Skills Programm</td>
<td>16 July 2012</td>
<td>8</td>
<td>Professionals</td>
<td>1</td>
<td>R 24 000.00</td>
</tr>
<tr>
<td>Diploma Local Government Law &amp; Administration</td>
<td>Diploma</td>
<td>6</td>
<td>Councillors</td>
<td>1</td>
<td>R 27 000.00</td>
<td></td>
</tr>
<tr>
<td>Advanced Certificate Local Government Law &amp; Administration</td>
<td>Certificate</td>
<td>5</td>
<td>Councillors</td>
<td>1</td>
<td>R 21 000.00</td>
<td></td>
</tr>
<tr>
<td>Certificate Local Government Law &amp; Administration</td>
<td>Certificate</td>
<td>5</td>
<td>Councillors</td>
<td>5</td>
<td>R 95 000.00</td>
<td></td>
</tr>
<tr>
<td>Diploma Local Government Law &amp; Administration</td>
<td>Diploma</td>
<td>6</td>
<td>Professional</td>
<td>1</td>
<td>R 27 000.00</td>
<td></td>
</tr>
<tr>
<td>CPMD</td>
<td>Certificate</td>
<td>6</td>
<td>Councillors &amp; Management</td>
<td>13</td>
<td>R 543 062.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>62</strong></td>
<td><strong>R 838 168.00</strong></td>
</tr>
</tbody>
</table>

**TABLE 22:** Trainings conducted

1.6.5. Report on Minimum Competencies

In terms of the Section 168 of the Local Government Municipal Finance Management Act 56 of 2003 regulations have been set out for the minimum competencies for Accounting Officers, Chief Financial Officers, Senior Managers, Other Financial Officials and Supply Chain Management Officials.

In compliance with the regulations, the municipality has implemented the CPMD Programme. As of 30 June 2013, sixteen (16) of twenty eight (28) Senior Managers, the Chief Financial Officer, Head of Supply Chain Management and two (2) other financial officials had met the minimum competency requirements. Therefore twenty (20) of forty eight (48) officials met the requirements.
In terms of the regulations on minimum competencies, it is required that a 6 monthly report be submitted to Provincial and National Treasury. The reports on Minimum Competency Levels were submitted on 11 January 2013 and 09 September 2013 respectively for the period in question.

1.6.6. Internships EPWP

As part of the EPWP programme, the Chris Hani District Municipality appointed 178 interns in various fields ranging from Administration, HR, Social Science, Accounting, Civil Engineering, Mechanical Engineering, Building, Electrical Engineering, ICT and Communication. The internship was for duration of two years and ended in February and March 2013 respectively.

In April and May 2013 a total of 107 new interns were contracted for a period of two years ending March and April 2015 respectively.

<table>
<thead>
<tr>
<th>Field of Study</th>
<th>Number of Interns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Science</td>
<td>18</td>
</tr>
<tr>
<td>Civil Engineering</td>
<td>2</td>
</tr>
<tr>
<td>Mechanical Engineering</td>
<td>6</td>
</tr>
<tr>
<td>Electrical Engineering</td>
<td>12</td>
</tr>
<tr>
<td>Finance</td>
<td>20</td>
</tr>
<tr>
<td>HR</td>
<td>5</td>
</tr>
<tr>
<td>Administration</td>
<td>23</td>
</tr>
<tr>
<td>ICT</td>
<td>2</td>
</tr>
<tr>
<td>Communication</td>
<td>3</td>
</tr>
<tr>
<td>Housing</td>
<td>3</td>
</tr>
<tr>
<td>GIS</td>
<td>2</td>
</tr>
<tr>
<td>Town Planning</td>
<td>1</td>
</tr>
<tr>
<td>Tourism</td>
<td>1</td>
</tr>
<tr>
<td>Water Quality</td>
<td>9</td>
</tr>
</tbody>
</table>

**TABLE 23**: Internship programmes per field

1.6.7. Experiential Training

A total number of 11 students were given exposure to the working environment through experiential training as part of their curricula.

<table>
<thead>
<tr>
<th>Area of Study</th>
<th>Number of students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Health Management</td>
<td>2</td>
</tr>
<tr>
<td>Tourism Management</td>
<td>3</td>
</tr>
<tr>
<td>Records and Management</td>
<td>1</td>
</tr>
<tr>
<td>Public Management</td>
<td>2</td>
</tr>
<tr>
<td>Town &amp; Regional Planning</td>
<td>2</td>
</tr>
<tr>
<td>Events Management</td>
<td>1</td>
</tr>
</tbody>
</table>

**TABLE 24**: Experiential learning as per student curricular

The experiential trainees are allocated mentors at respective directorates where they are assigned tasks in terms of their work plan. Upon completion their portfolio of evidence is signed off for the consideration of their tertiary institutions.

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
1.6.8. Study Assistance

Fifteen employees have been able to advance their tertiary education as part of the Study Assistance Programme. The institution has contributed an amount of R 189 614.00 towards this endeavour in the 2012/2013 financial year. The above initiative seeks to improve the personal development and careers of employees whilst the benefit to the institution is to improve service delivery by encouraging employees to reach their maximum potential and optimize performance.

1.6.9. Key HR Statistics per Functional Area

**Full time staff complement per functional area**

<table>
<thead>
<tr>
<th>No</th>
<th>Functional Area</th>
<th>Number of approved and budgeted posts</th>
<th>Filled posts</th>
<th>Vacant posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Office of the Municipal Manager</td>
<td>12</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Strategic Management</td>
<td>21</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Budget and Treasury</td>
<td>51</td>
<td>47</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Corporate Services</td>
<td>61</td>
<td>53</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Integrated Planning &amp; Economic Development</td>
<td>18</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Health and Community Services</td>
<td>87</td>
<td>73</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>Engineering Services</td>
<td>291</td>
<td>278</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>541</strong></td>
<td><strong>489</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

**TABLE 25:** Full time staff per functional area

**Full staff complement per occupational levels**

<table>
<thead>
<tr>
<th>No</th>
<th>Occupational Level</th>
<th>No of Positions</th>
<th>Filled</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Top Management (Section 56 employees)</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Senior Management</td>
<td>39</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Professionally qualified and experienced specialists &amp; mid-management</td>
<td>130</td>
<td>110</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Skilled technical and academically qualified workers, junior management, supervisors, foreman</td>
<td>85</td>
<td>80</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Semi-skilled and discretionary decision making</td>
<td>152</td>
<td>143</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Unskilled and defined decision making</td>
<td>128</td>
<td>119</td>
<td>9</td>
</tr>
</tbody>
</table>

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
The vacancy rate is in the elementary and professionally qualified level due to the following reasons: service level agreement between the institution and the Department of Roads and Transport, challenge of office space within the institution and the contractual obligation between Water Service Authority and Water Service Provider.

Staff Complement in Technical Services

<table>
<thead>
<tr>
<th>No</th>
<th>Functional Area</th>
<th>Number of Positions</th>
<th>Filled Posts</th>
<th>Vacant Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Director &amp; Secretary</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>Water Services</td>
<td>179</td>
<td>170</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Project Management</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>PMU &amp; WSA Finances</td>
<td>7</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Roads</td>
<td>86</td>
<td>83</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>291</td>
<td>278</td>
<td>13</td>
</tr>
</tbody>
</table>

Technical Staff registered with Professional Bodies

<table>
<thead>
<tr>
<th>Technical Services</th>
<th>Total Number of technical Services Managers</th>
<th>Total number registered in the accredited professional body</th>
<th>Total number pending registration confirmation in the accredited professional body</th>
<th>Total number not yet registered in the accredited professional body</th>
</tr>
</thead>
<tbody>
<tr>
<td>291</td>
<td>14</td>
<td>10</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

Levels of education and skills

<table>
<thead>
<tr>
<th>Total number of staff</th>
<th>Number of staff without Grade 12</th>
<th>Number of staff with Senior Certificate only</th>
<th>Number of staff with Tertiary/acccredited professionals training</th>
</tr>
</thead>
<tbody>
<tr>
<td>489</td>
<td>209</td>
<td>49</td>
<td>231</td>
</tr>
</tbody>
</table>
Trends on total personnel expenditure

<table>
<thead>
<tr>
<th>Financial Years</th>
<th>Total number of staff</th>
<th>Total approved operating Budget</th>
<th>Personnel expenditure (salary and salary related)</th>
<th>Percentage of expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>467</td>
<td>R124 393 250.00</td>
<td>R149 596 022.08</td>
<td>120%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>406</td>
<td>R134 176 228.00</td>
<td>R117 649 370.19</td>
<td>87.7%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>489</td>
<td>R 795 803 41</td>
<td>R73 676 018.14</td>
<td>92.58%</td>
</tr>
</tbody>
</table>

**TABLE 30:** Personnel expenditure trends

List of pension and medical aids to whom employees

<table>
<thead>
<tr>
<th>Names of pension fund</th>
<th>Number of members</th>
<th>Names of medical Aids</th>
<th>Number of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Retirement Fund</td>
<td>286</td>
<td>La Health</td>
<td>101</td>
</tr>
<tr>
<td>Sanlam Provident Fund</td>
<td>0</td>
<td>Bonitas</td>
<td>134</td>
</tr>
<tr>
<td>SALA Pension Fund</td>
<td>3</td>
<td>SAMWUMED</td>
<td>37</td>
</tr>
<tr>
<td>SAMWU Provident Fund</td>
<td>2</td>
<td>Key Health</td>
<td>3</td>
</tr>
<tr>
<td>Municipal Employee Pension Fund</td>
<td>1</td>
<td>Hosmed</td>
<td></td>
</tr>
<tr>
<td>Government Employees Pension Fund</td>
<td>94</td>
<td>Resolution Health</td>
<td></td>
</tr>
<tr>
<td>Cape Joint Pension Fund</td>
<td>1</td>
<td>GEN Health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fed Health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Med Shield</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>387</strong></td>
<td><strong>TOTAL</strong></td>
<td><strong>275</strong></td>
</tr>
</tbody>
</table>

**TABLE 31:** List of staff pension and medical aid

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Total number</th>
<th>Achievement level during the year under review</th>
<th>Achievement percentage during the year</th>
<th>Comments on the gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Vacancy rate for all approved and budgeted posts;</td>
<td>67</td>
<td>41</td>
<td>61%</td>
<td>Office space</td>
</tr>
<tr>
<td>2 Percentage of appointment in strategic</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
positions (Municipal Manager and Section 57 Managers) |  |  |  
---|---|---|---
3 | Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY | 7 | 7 | 100% 
4 | Percentage of Managers in Technical Services with a professional qualification | 14 | 14 | 100% 
8 | Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term | 489 | 280 | 57% 
9 | Percentage of councillors who attended a skill development training within the year under review | 17 | 17 | 100% 
10 | Percentage of staff complement with disability | 489 | 4 | 1% 
11 | Percentage of female employees | 489 | 251 | 51% 
12 | Percentage of employees that are aged 35 - 50 | 489 | 207 | 42% 

**TABLE 32:** Annual performance as per key performance indicators in municipal transformation and organizational development

### 1.6.10. Employee Wellness

#### Counselling and therapeutic services

Employee assistance programme provides short term psychosocial assessment, counselling and external referral to employees and councillors encountering personal and work related challenges that may have a negative effect on their work performance.

81 employees and councillors received short term psychosocial assessment, counselling and external referral. These interventions improved the wellbeing, behaviour, levels of relations and performance at work of the referred employees and councillors.

A group trauma debriefing session was implemented for 39 fire fighters from the 16-17 August 2012. A supervisor mentorship programme on how to proactively identify, refer and support employees with personal challenges was implemented for 18 supervisors was on the 24 July 2012.
Educational and awareness programmes

Educational and awareness programmes on healthy lifestyle, financial management, marriages, relationships and parenting, substance abuse were implemented to CHDM employees and councillor’s in-line with the wellness calendar. These educational programmes played a meaningful role in behaviour change and improved employee performance and well-being.

Organizational wellness programmes

Wellness event was implemented in partnership with Emalahleni LM on the 05 April 2013 at JJ Serfontein. The event was focusing on physical exercises, recreational games that enhance teamwork, educational stalls, medical screening and motivation to improve employee morale.

Team building programme was implemented for Finance Department. The aim of the session was Healthy retirement programmes were implemented for employees.

The healthy retirement programmes were focusing on financial management, nutrition, business initiatives and tax.

Development of wellness and substance abuse strategies

In line with SALGA wellness strategy and other National and international wellness strategic framework and policies, CHDM employee wellness strategy was reviewed and adopted by the Council. The review of the wellness strategy outlines key priority areas for wellness programmes and the areas of integration.

Substance abuse strategy and policy was developed and adopted as a guiding tool to prevent, intervene and rehabilitate employees and councillors with substance abuse challenges.

Occupational health and safety

Section 8 of the Occupational Health and Safety Act mandates the employer to provide a healthy and safe working environment for employees.

In compliance with the Act, the following OHS programmes and interventions were implemented.

- Installation of first aid kits in vehicles
- Education and awareness on personal protective clothing
- Training of 11 first aiders
1.6.11. Information Communication Technology

ICT Network Audit

The ICT unit conducts a network audit every two years as best practice to ensure that the ICT infrastructure in place is in line with required industry standards. The audit was conducted and completed. A report with recommendations was produced. Some of the audit recommendations were implemented by the end of the financial year and some were catered for in 2013/14 financial year.

Server Room Revamp

CHDM main server room resides at 44 Cathcart Road. A need was identified to move the server room to a bigger room and to implement at least 80% of server room requirements as per minimum industry standards. It is critical that the server room meets the minimum server room requirements because the information assets of the District Municipality reside in those servers and the electronic communication tools of the DM reside in the server room.

The following were implemented:

- The server room is in the 1st floor
- The size of the room considers future expansion for at least the next 10 years
- There are no windows
- Fire extinguisher next to the server room
- Controlled access door with pin code and fingerprint access
- Raised floor
- Air conditioners
- UPS
- Tidying and labelling of cables was also undertaken.

Policies Developed and Approved

ICT policies are developed in order to provide a solid foundation for the development, implementation and maintenance of secure practice within the District Municipality’s networking environment. The following policies were developed, consultation took place, approved by Council and presented to users (awareness):

- Acceptable use of ICT resources policy
- ICT network security policy and plan
- Disaster Recovery Policy and Plan
1.6.12. Legal and Administration Functions

Council Support

The administration section has rendered support to council regarding meetings. Agendas were compiled and distributed to Councillors for all standing committee; mayoral committee and council meetings. Minutes were taken at all meetings. A resolution register is also updated and distributed to all after the meetings. One council meeting was held at Elliot where the Executive Mayor of the district was delivering the State of the District Address (SODA). The following meetings were held:

Standing committees:

Finance and fiscal: 4 meetings
Integrated Planning and Economic Development: 3 meetings
Health and Community Services: 3 meetings
Governance and Institutional: 4 meetings
Mayoral committee: 7 meetings
Special Mayoral: 2 meetings
Council: 6 meetings
Special Council: 5 meetings

It is regrettable that we also mention that during this financial year, the Council of CHDM suffered the passing of one of our Councillors, Councillor Ntoni.

Fleet Management

The Fleet Management Policy is in place. The induction of councillors and employees on policy was done. The policy was reviewed and same was adopted by Council in May 2013.

Total Number of Vehicles for Council

Table 33 below shows total number of vehicles for the council and its allocation of the fleet.

<table>
<thead>
<tr>
<th>POOL VEHICLES</th>
<th>21</th>
</tr>
</thead>
<tbody>
<tr>
<td>COUNCILLORS VEHICLES</td>
<td>3</td>
</tr>
<tr>
<td>DISASTER MANAGEMENT/FIRE SERVICES QUEENSTOWN</td>
<td>8</td>
</tr>
<tr>
<td>LOCAL MUNICIPALITIES/FIRE SERVICES</td>
<td>8</td>
</tr>
<tr>
<td>PROJECT VEHICLE</td>
<td>1</td>
</tr>
<tr>
<td>ENGINEERING WATER SERVICES</td>
<td>54</td>
</tr>
<tr>
<td>TOTAL</td>
<td>95</td>
</tr>
</tbody>
</table>

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
TABLE 33: Council fleet allocation

**Total Number of Vehicles under Pool (21)**

Vehicles are used by all Departments for official duties. These vehicles are only used by officials not receiving vehicle allowances. These vehicles may only be used by officials receiving vehicles allowances with the written permission of the Municipal Manager.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER TRACK</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAZDA DRIFTER D/CAB</td>
<td>DPM 135 EC</td>
<td>YES</td>
<td>FAIR</td>
</tr>
<tr>
<td>FORD BANTAM LDV</td>
<td>DFB 185 EC</td>
<td>YES</td>
<td>FAIR</td>
</tr>
<tr>
<td>FORD FOCUS 1.6</td>
<td>DRS 523 EC</td>
<td>YES</td>
<td>POOR</td>
</tr>
<tr>
<td>KIA CERATO</td>
<td>DTW 536 EC</td>
<td>YES</td>
<td>FAIR</td>
</tr>
<tr>
<td>HYUNDAI TUCSON</td>
<td>DTZ 773 EC</td>
<td>YES</td>
<td>FAIR</td>
</tr>
<tr>
<td>ISUZU LDV 2.5D</td>
<td>DVC 806 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>FORD FIESTA 1.4</td>
<td>DVH 396 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA QUANTUM</td>
<td>FBZ 192 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>MERCEDES BENZ ML</td>
<td>FDC 388 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>MAZDA 3 1.6</td>
<td>FDK 739 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU D/CAB KB 2.5L</td>
<td>FKJ 369 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU D/CAB KB 2.5L</td>
<td>FKJ 367 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU EXT CAB 3L D</td>
<td>FKV 164 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU KB 300LX EXT CAB</td>
<td>FKK 156 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU KB LX 300 4X4</td>
<td>FTG 169 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU KB LX 300 4X4</td>
<td>FTG 172 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU KB LX 300 4X4</td>
<td>FTG 176 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU KB LX 300 4X4</td>
<td>FTG 181 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA HILUX LWB</td>
<td>DYL 723 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU D/CAB KB 3.0L</td>
<td>FKK 613 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>NISSAN TRUCK</td>
<td>CKX 322 EC</td>
<td>YES</td>
<td>FAIR</td>
</tr>
</tbody>
</table>

TABLE 34: Council vehicle by type

**Total Number of Vehicles for Councillors**

These vehicles are only used by the Councillors and all trips are authorised by the Municipal Manager.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER TRACK</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISUZU D/CAB KB 2.5L</td>
<td>FJK 360EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA FORTUNER</td>
<td>FKN 908 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>FORD FOCUS 1.8</td>
<td>FKV 020 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
</tbody>
</table>

TABLE 35: Council vehicle conditions

**Total Number of Vehicles for Disaster Management (8)**

These Vehicles are being utilized by CHDM Disaster Management and Fire services Queenstown.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER TRACK</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISUZU LDV 4X4</td>
<td>DRV 407 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA HILUX</td>
<td>FFZ 729 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA COROLLA</td>
<td>DXL 787 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA HILUX 4X4</td>
<td>DXL 784 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>TOYOTA HILUX 4X4</td>
<td>DXN102 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
<tr>
<td>ISUZU D/CAB 4X4</td>
<td>DVC 801 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
</tbody>
</table>
CONSOLIDATED ANNUAL REPORT

TABLE 36: Council vehicle – Disaster Management

Total Number of Fire Engine Vehicles at LMs (8)

The following Fire Services vehicles have been donated to Local Municipalities. In terms of to the Memorandum of Agreement, vehicles should be transferred to the name of the donatees. Change of ownership has not yet been between the two institutions.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER</th>
<th>DONATEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISUZU 2.2 4X4 FIRE</td>
<td>DFH 297 EC</td>
<td>YES</td>
<td>EMALAHLENI MUNICIPALITY</td>
</tr>
<tr>
<td>ISUZU 2.2 4X4 FIRE</td>
<td>DFH 301 EC</td>
<td>YES</td>
<td>INSIKA YETHU MUNICAPLITY</td>
</tr>
<tr>
<td>MERCEDES BENZ ATEGO</td>
<td>FCN 074 EC</td>
<td>YES</td>
<td>ENGCOBO MUNICAPLITY</td>
</tr>
<tr>
<td>MERCEDES BENZ ATEGO</td>
<td>FDV 403 EC</td>
<td>YES</td>
<td>INSIKA YETHU MUNICAPLITY</td>
</tr>
<tr>
<td>HINO FIRE ENGINE</td>
<td>FJR 774 EC</td>
<td>YES</td>
<td>INXUBA YETHEMBA</td>
</tr>
<tr>
<td>HINO FIRE ENGINE</td>
<td>FJR 776 EC</td>
<td>YES</td>
<td>INXUBA YETHEMBA</td>
</tr>
<tr>
<td>TOYOTA LANDCRUISER</td>
<td>FJY 526 EC</td>
<td>YES</td>
<td>ENGCOBO MUNICAPLITY</td>
</tr>
<tr>
<td>TOYOTA LANDCRUISER</td>
<td>FJY 522 EC</td>
<td>YES</td>
<td>ENGCOBO MUNICAPLITY</td>
</tr>
</tbody>
</table>

TABLE 37: Fire fighting vehicles donated to LMs

The following Fire Services vehicles have been donated to Lukhanji Municipality. Change of ownership has been done and there is a Memorandum of Agreement between CHDM and the municipality on roles and responsibilities.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER</th>
<th>DONATEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERCEDES BENZ 1528</td>
<td>FDM 819 EC</td>
<td>NO</td>
<td>LUKHANJI MUNICAPLITY</td>
</tr>
<tr>
<td>MERCEDES BENZ 1328</td>
<td>FCT 775 EC</td>
<td>NO</td>
<td>LUKHANJI MUNICAPLITY</td>
</tr>
<tr>
<td>TOYOTA LANDCRUISER</td>
<td>FFZ 731 EC</td>
<td>NO</td>
<td>LUKHANJI MUNICAPLITY</td>
</tr>
</tbody>
</table>

TABLE 38: Fire fighting vehicles donated to LMs

Total Number of Project Vehicles/ Water Services

This vehicle is utilized by (IPED) for the building bridges project. Expenditure for Fuel, oil, Repair and Maintenance is not reflected as this expenditure is paid by the project
Water Services Vehicles (54)

These vehicles consist of Water trucks, LDV’s and Crew cabs and are allocated to the eight Local Municipalities and are used to provide water to the communities. Expenditure for Fuel and Oil, Repair and Maintenance is not reflected as this expenditure is paid by the Local Municipalities.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER TRACK</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHEVROLET AVEO</td>
<td>DYF 473 EC</td>
<td>YES</td>
<td>GOOD</td>
</tr>
</tbody>
</table>

TABLE 39: Council vehicles – IPED
Plant and Machinery (3)

The following plant and machinery is utilized by the Engineering Department (Roads). Fuel and oil expenses for the above machines are paid by the Department of Roads. Repair & Maintenance are paid from the Plant and Machinery vote.

<table>
<thead>
<tr>
<th>VEHICLE MAKE</th>
<th>REG NO</th>
<th>POWER TRACK</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORD RANGER LDV</td>
<td>CXN 706 EC</td>
<td>YES</td>
<td>POOR</td>
</tr>
<tr>
<td>KOMATSU EXCAVATOR</td>
<td>None</td>
<td>NO</td>
<td>FAIR</td>
</tr>
<tr>
<td>AGRICO TRACTOR &amp; GRID</td>
<td>CXT 732 EC</td>
<td>NO</td>
<td>POOR</td>
</tr>
</tbody>
</table>

Disposal and Acquisition of Vehicles

No vehicles were disposed and or acquired of for the period July 2012 to June 2013.

Repairs and Maintenance

The table below shows Repairs/ Maintenance of our fleet from July 2012 to June 2013 in respect of council vehicles.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Jul 2012</th>
<th>Aug 2012</th>
<th>Sep 2012</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1ST Quarter</td>
<td>R 8 274.42</td>
<td>R19 443.00</td>
<td>R19 009.00</td>
<td>R46 726.42</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>R237 556.00</td>
<td>R27 904.68</td>
<td>R13 964.69</td>
<td>R279 425.37</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>R12 266.60</td>
<td>R6 640.00</td>
<td>R3 438.00</td>
<td>R22 344.60</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>R33 488.00</td>
<td>R28 721.94</td>
<td>R30 520.44</td>
<td>R92 730.38</td>
</tr>
</tbody>
</table>
Annual Expenditure: R 441 226.77

Fuel Expenditure for the Period July 2012 to June 2013

The table below shows fuel expenditure for council vehicles from July 2012 to June 2013.

<table>
<thead>
<tr>
<th>NO OF VEH</th>
<th>ALLOCATION</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>POOL VEHICLES</td>
<td>R269 716.23</td>
</tr>
<tr>
<td>03</td>
<td>COUNCILLORS</td>
<td>R107 752.91</td>
</tr>
<tr>
<td>08</td>
<td>DISASTER VEHICLES</td>
<td>R129 861.33</td>
</tr>
</tbody>
</table>

**TABLE 43: Expenditure on Council vehicles**

Annual Expenditure: R507 330.47

There also five accidents that happened during the period and as such following the applicable policies and procedures the cases have been finalized.

**1.6.13. Report on Legal Matters**

The institution has appointed the legal and admin manager to assist with the functions of the unit. Through normal supply chain processes the new company with Mc Williams and Elliot Inc were appointed as the lawyers of records for the institutions for the duration of three year.

Below is the legal register that details the legal matters that details the management of litigations.

<table>
<thead>
<tr>
<th>Professional Matter Code</th>
<th>Matter Description</th>
<th>Status</th>
<th>Total Claim</th>
<th>Legal Fees to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sibongile Tito</td>
<td>46C073057</td>
<td>Reticulation Design Project Services</td>
<td>R2 501 111,29</td>
<td>R192 514,00</td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
<table>
<thead>
<tr>
<th>Witness</th>
<th>Client</th>
<th>Matter</th>
<th>Issue</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sibongile Tito</td>
<td>Frickton CC</td>
<td>Claim by Frickton CC in respect of a cession in their favour. They rendered services as a sub contractor to Ikamva Civils.</td>
<td>Witnesses. However, trial is set down for 24 March 2014.</td>
<td>Matter withdrawn by agreement with no order as to costs. Our file has been closed.</td>
</tr>
<tr>
<td>Sibongile Tito</td>
<td>SA Local Authorities Pension</td>
<td>The Pension Fund is suing the Municipality for arrear payments. They unilaterally raised the tariff from 18% to 20% prompting the Municipality not to pay the inflated premium.</td>
<td></td>
<td>The matter was settled out of court. Our litigation file has been closed.</td>
</tr>
<tr>
<td>Sibongile Tito</td>
<td>Cofimvaba Water Reticulation</td>
<td>A CHDM contractor entered into a contract of guarantee with Fernfin in terms of which the latter would pay the guaranteed amount of R318 293.36 to CHDM upon written demand by CHDM, and without proof of any breach of contract by the contractor. When CHDM terminated the contractor’s appointment, CHDM requested the guarantee amount from Fernfin who has not paid this amount.</td>
<td>A letter of demand was sent to Fernfin on 24/01/11. Fernfin has denied liability for the guarantee amount on the basis of a letter it sent to CHDM dated 10 February 2010. We have requested this letter from client in order to determine the way forward. Issued summons. Fernfin filed a Plea and a counter claim. A trial date has been applied for with the Registrar, the Municipality still has to discover.</td>
<td>Finalized</td>
</tr>
<tr>
<td>Imraan Peterson</td>
<td>SAMWU obo NKASELA // CHDM</td>
<td>Review of an arbitration award that was awarded against CHDM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Status</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imraan Peterson</td>
<td>Eviction application</td>
<td>Pending</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>CHDM // PASHA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imraan Peterson</td>
<td>Eviction application</td>
<td>Pending</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>CHDM // NOKEPEYI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imraan Peterson</td>
<td>Clear ownership of land and buildings that belongs to CHDM.</td>
<td>Pending</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>LAND OWNERSHIP INFORMATION</td>
<td></td>
<td>R13 688,00</td>
</tr>
<tr>
<td>Imraan Peterson</td>
<td>Application for medical aid contributions that were stopped by CHDM</td>
<td>Pending</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>PUTTER &amp; OTHERS // CHDM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imraan Peterson</td>
<td>Opinion for unpaid maternity leave</td>
<td>Finalized</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>UNPAID MATERNITY LEAVE</td>
<td></td>
<td>R9 120,00</td>
</tr>
</tbody>
</table>

**TABLE 44: Legal Register**
The Chris Hani District was subjected to an intensive audit process by the Auditor General, this in terms of the Public Audit Act, 25 of 2004. This process, as required by legislation, in the main seeks to assess the state of finances of the municipality as well as matters relating to internal controls, governance and predetermined objectives. Currently, the opinion of the Auditor General is based on the audit of finances. We are proud to announce that there has been an improvement in the outcomes of this audit process from previous financial years. As such, for the 2012/2013 financial year, the CHDM received a qualified audit opinion. Table 10 below demonstrates the opinions that CHDM has received from the Auditor General over the past four years:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Unqualified</th>
<th>Qualified</th>
<th>Adverse</th>
<th>Disclaimer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/2013</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011/2012</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2010/2011</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>2009/2010</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

**TABLE 45: Audit history**

The outcome is based on issues relating to accumulated surplus, unspent conditional grants and receipts, irregular expenditure, cash flow disclosure, statement of comparative and actual information, aggregation of immaterial uncorrected misstatements as well as aggregation of immaterial corresponding figures. The report of the Auditor General is contain in Chapter 5 of this report.

In response to this, the CHDM has developed a comprehensive plan which seeks to address all the matters as raised by the Auditor General. Tabulated hereon below is the Audit Action Plan of the CHDM:

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
<table>
<thead>
<tr>
<th>AUDIT REPORT FINDING:</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Cash flow: Difference between grants received as per cash flow and financial statement</td>
<td>Chief Financial Officer</td>
<td>The correction will be made to the disclosure in the comparatives for 13/14 financial statements</td>
<td>30-Jan-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td>Compliance: Non-Compliance with Municipal Investment Regulation 9(1) Item (2)</td>
<td>Chief Financial Officer</td>
<td>Management has to ensure that the report is submitted on monthly basis to the mayor</td>
<td>30-Jan-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td>Non-Compliance</td>
<td></td>
<td>Lack of review of the register of irregular/fruitless and wasteful expenditure in ensuring that the responsible official is stated so that he/she can be held liable, before the register can be submitted to council for condonement</td>
<td>Monthly</td>
<td></td>
</tr>
</tbody>
</table>

The amount of the actual grants received does not agree to the amount of grants received as per note 20 of the financial statement, therefore variance was identified when recalculating the SALE OF GOODS on the cash flow statement. Grant Received as per Cash Flow (R1 182 711 272.00); Actual Grants Received as per AFS Notes (R1 246 386 718.00) with a difference of -R63 675 446.00.
<table>
<thead>
<tr>
<th>AUDITOR GENERAL's RECOMMENDED ACTION</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>with Sec 32(2) of MFMA Item (3)</td>
<td>Chief Financial Officer</td>
<td>There is a register in place. Policy will be inducted to all employees before being applied so that it be implemented immediately. There will be a monthly report by all directorates with regard to unauthorised, irregular or fruitless and wasteful expenditure.</td>
<td>30-Jan-14</td>
<td>By Management</td>
</tr>
<tr>
<td>AUDIT REPORT FINDING: Compliance: Submission of approved annual budget Item (04)</td>
<td>Management did not provide any evidence that the approved Annual Budget was submitted to the National and Provincial Treasury within 10 days. This is a result of management not implementing the requirements of legislation and has resulted in non-compliance with legislation</td>
<td>Management will ensure that we received proof of submission when submitting any compliance report to Treasury</td>
<td>30 June 2014</td>
<td>By Management</td>
</tr>
</tbody>
</table>

| AUDIT REPORT FINDING: Compliance: Expenditure exceeded budget | Chief Financial Officer | In terms of Sec 15 of MFMA a municipality may incur expenditure only (i) in terms of an approved budget (ii) Within the limits of the amounts appropriated for the different votes in approved budget. It was noted that for 2 transactions management exceeded the budget as follows- Renumeration of Councillors (Budgeted Amount R 7 561 802) Actual Amount( R 7 918 180) Difference (R 356 378) and BULK PURCHASES( Budgeted Amount R 11 230 000) Actual Amount( R 13 174 780) Difference being | 30 June 2014 | By Management | By Auditor General |
(R-1 944 780). This is a result of spending not being limited and monitored by the various departments and therefore resulted in an unauthorised expenditure of R2 301 158.

<table>
<thead>
<tr>
<th>Item (05)</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Financial Officer</td>
<td>Monthly monitoring of budget will be intensified and the financial system will be also be set not to allow transactions to go through when funds are exhausted</td>
<td>Jan-14</td>
<td>By Management</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**
Compliance: Submission of Monthly Budget Statements Item(06)

Per audit work performed it was noted that there was no evidence that the accounting officer submitted the monthly budget statements within 10 days to the Mayor. Furthermore the information provided by the municipality there was no evidence that within 30 days after the end of each quarter, the Mayor submitted the report to council on the implementation of the budget and the financial state of affairs of the municipality. This is a result of management not applying legislation and has resulted in non-compliance with legislation.

<table>
<thead>
<tr>
<th>Item (06)</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Financial Officer</td>
<td>Management is going to make sure that these budget statements are submitted adequately in future. There’re time-lines set so as to meet the required time-frames of submission</td>
<td>30-Jan-14</td>
<td>By management</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**
Compliance: Evaluation of performance programme Item(07)

During the testing of Compliance with applicable laws and regulations it was noted that management did not within 2 months after year end evaluate the performance in respect of the following programmes - MSIG. This is due to municipality not implementing legislation and not being aware of the requirements of the respective legislation and thereby resulted in non-compliance of legislation.

<table>
<thead>
<tr>
<th>Item (07)</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## AUDIT REPORT FINDING:

### Compliance: District Municipality provisional allocations

Item(08)

<table>
<thead>
<tr>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Done and reported to COGTA immediately after the finding and will ensure that this report is prepared and submitted annually</td>
<td>Ongoing</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

Per the audit work performed on grant allocation, the ff was noted:

- There was no evidence that the municipality by the 02 October 2012 agreed on the provisional allocations with all the local municipalities.
- There was no evidence that the municipality submitted to the transferring national officer the provisional and final allocations.
- There was no evidence that the district municipality submitted its final allocations to the National Treasury by 7 December 2012. This is due to management not implementing the requirements of legislation. This has resulted in non-compliance with legislation.

### AUDIT REPORT FINDING:

**Compliance: Submission of the consolidated report on compliance with prescribed competency levels not by 30 January**

Item(09)

<table>
<thead>
<tr>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Management will engage with both AG and Treasury on this matter. Also, the gazette will be a referral to close this gap.</td>
<td>30-Jan-14</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

During the audit of the compliance of Employee Costs it was noted that the submission of the consolidated report on compliance with prescribed competency was not reported to the National Treasury and to the provincial Treasury by 30 July. The information submitted reflects that submission occurred on 10 September 2013. There was poor monitoring of adherence to controls. The Municipality has not complied with the Regulations on minimum competency levels section 14(2) (a)
<table>
<thead>
<tr>
<th>AUDITOR GENERAL’s RECOMMENDED ACTION</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item (10)</td>
<td>Director Corporate Services</td>
<td>Management will develop a compliance check list that will be monitored by the risk manager to ensure that all necessary compliance submission are adhered to</td>
<td>30-Jul-14</td>
<td>By management By Auditor General</td>
</tr>
<tr>
<td>Item (10)</td>
<td>Chief Financial Officer</td>
<td>As and when this instances occur they will be reported to the accounting officer by the SCM manager and subsequently report to the MEC and Auditor General office respectively</td>
<td>Immediately</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

**Irregular, Fruitless and wasteful Expenditure:** No evidence on submission

No information obtained as requested in RFI- 42 of 2013 dated 18th September 2013 requesting evidence that the Accounting Officer promptly inform the MEC and the Auditor-General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality: whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure: or the steps that have been taken to recover or rectify such expenditure: and to prevent a recurrence of such expenditure. No steps or criminal cases were opened in the current financial year, therefore there were no reports compiled by management and that resulted to non-compliance with Section 32(4) of the MFMA.

**Procurement:** Quotations not advertised

In terms of the paragraph 7.57.2 of the supply chain management policy, any request for a formal return quotation which is likely to be in excess of R30 000.00 must be advertised for at least 7 (seven) days on the Municipality official website and an official notice board as applicable. It was noted that the request for quotations was not advertised for at least seven(7) days on the website and official notice board of the municipality for the transactions listed below: NPQ Trade cc T/A Cool Solutions R150 742.10 (ii) container conversions & repairs (PTY)LTD R146 569.80 (iii) Siyaphhilisa construction and projects R140 856.30 (iv) Duma thulisa logistics R128 240.00 (v) Intelligent business solutions R126 924.90 (v) Isithwalandwe general trading cc R 124 167.00 (vi) Ntandoyakhe trading 31 cc R 122 315.00.
### AUDIT REPORT FINDING:

#### Item (12)
**Procurement:** Submission of sufficient Information  
Sec.62 (1) (b) of Municipal Financial Management Act No 56 of 2003, General Financial management Functions state that: "The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that - Full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards" Furthermore in terms of the Supply chain management Regulations sec 13 (a) it states that before making an award to a person, a municipality or municipal entity must first check with SARS whether that person's tax matters are in order. Information was requested through RFI 83, payment vouchers were submitted, however tax clearance certificate and declaration of interest for the supplier listed below was not submitted/ attached to submitted payment voucher: Induna Electrical cc Amount R11 932.95. The municipality has not complied with the supply chain Regulations sec 13 (a). This constitutes irregular expenditure which is currently not disclosed in the AFS.

### AUDIT REPORT FINDING:

#### Item (13)
**Procurement:** Payment not made within 30 days  
In terms of Sec 65(1) and 65(2) of the MFMA Act No 56 of 2003, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, ad must for this purpose take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoices or statement, unless prescribed otherwise for certain categories of expenditure. It was noted that for the following payment was not made within 30 days of receipt of invoices. Intelligent Business Solutions Payment voucher 64251, R126 924.90. Compliance with laws and regulations is not monitored and enforced by management. Also sufficient processeses are not in place within the finance unit to ensure that invoices are promptly reviewed, approved and processed for payment. Non compliance with the MFMA thus incurring possible fruitless and wasteful expenditure due to possible interest and penalties on late payment to suppliers.
Creditors age analysis will be performed on a monthly basis which will give indication on how long we take to pay our service providers. Currently all the invoices are recorded and stamped when received to ensure that we know when the payment was received.

<table>
<thead>
<tr>
<th>AUDIT REPORT FINDING:</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Financial Officer</td>
<td>Creditors age analysis will be performed on a monthly basis which will give indication on how long do we take to pay our service providers. Currently all the invoices are recorded and stamped when received to ensure that we know when the payment was received.</td>
<td>Monthly</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

In terms of Sec 30(2) of the Municipal Supply Chain Management Regulation (MSCMR), it states that the process of procuring a contract services must commence at least nine months before the end of the existing contract. Furthermore in terms of Sec 30(3) of (MSCMR), it states that the closing date for submission of bids may not be less than 60 days from the date on which the advertisement was placed in the newspaper in terms of regulation 22. During the audit of procurement and Contract Management it was noted that the process of procuring the contract did not commence at least 9 months before the end of an existing contract. Furthermore it was noted that the closing date for submission of bids was less than 60 days from the date on which the advertisement was placed. An example is as follows: Appointed Bidder: FNB; No. of days-14 days; Amount transaction stated in Contract R432,06 - Expenditure Amount R12,894,065. The Municipality has poor monitoring of adherence to controls. The municipality has not complied with Sec 30(2) of (MSCMR) ans Sec 30(3) of MSCMR. Furthermore there is also an irregular expenditure of R12 894 065.

<table>
<thead>
<tr>
<th>AUDIT REPORT FINDING:</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Financial Officer</td>
<td>This will be monitored and adhered to the required timeframes in future</td>
<td>Quarterly</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

In terms of MSCMR, it states that the bid evaluation committee must as far as possible be composed of officials from departments requiring the goods and services and at least one Supply Chain management practitioner of the municipality or municipal entity. Furthermore in terms of Sec 29(2) of the MSCMR, it states that the bid adjudication committee must consist of at least 4 senior managers of the municipality or municipal entity, which includes the CFO or, if the CFO is not available, another manager in BTO office reporting directly and designated by the CFO, at least one senior supply chain management practitioner who is an official of the municipality or municipal entity and a technical expert in the relevant field who is an official of the municipality or municipal entity, if the municipality or municipal entity has such an expert. During the audit of procurement and contract Management it was noted that there is insufficient appropriate evidence to suggest that the bid evaluation committe
was composed of, officials from departments requiring the goods and services and at least one SCM practitioner of the municipality or municipal entity as there were no minutes of bid evaluation obtained. Furthermore that there is insufficient appropriate evidence to suggest that the bid adjudication committee consisted of at least 4 senior managers of the municipality or municipal entity, which included the CFO or, if the CFO is not available, another senior manager in the budget and treasury office reporting directly to the CFO and designated by the CFO, at least one senior SCM practitioner who is an official of the municipality or municipal entity and a technical expert in the relevant field who is an official of the municipality, if the municipality or municipal entity has such an expert. The ff provides an example of the Contracts:

- Contract No. 210/2012/MD (TN) FINLAB LABORATORY R367 430.50
- 211/2012/MD (TN) SIBHOZO BUILDING CONSTR. R905 304.27
- 21p/2012/md (tn) CXM CIVIL AND BUILDING CONSTR. R842 005.89
- 21R/2012/MD (TN) DDX BUILDERS R796 231.24
- 21K/2012/MD (TN) SIMPIWE & SIMTHA CONSTR & PROJECT cc: R842 005.89
- 21A/2012/MD (TN) M.L.P GENERAL CONTRACTORS R868 441.71
- 21L/2012/MD (TN) NONTSU CONSTR. R817 789.24
- 21M/2012/MD (TN) VELVET POND INVESTMENT R374 0647.98
- 21N/2012/MD (TN) SEKUISIZWE BUSINESS ENTERPRISE R670 774.53
- 3/2013/MD (TN) KWALO CONSTR R0.00

The municipality has poor monitoring of adherence to controls. The municipality has not compliance with Sec 28(2), sec 29(2) of the MSCMR and irregular expenditure of R6 088 497.28.

<table>
<thead>
<tr>
<th>AUDITOR GENERAL’s RECOMMENDED ACTION</th>
<th>RESPONSIBLE DEPT / PERSON</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item (15)</strong></td>
<td>Chief Financial Officer</td>
<td>Management will ensure that in the next phase of the contractor development program all the requirements stipulated in CIDB and SCM regulations are adhered to</td>
<td>Immediately</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

- Procurement:
  - Non Submission of declarations
- In term of sec 112(J) of the MFMA awards may not be made to were made to providers who are in the service of other state institutions or whose directors’ principal shareholders are in the service of other state institutions. During the audit of Procurement and Contract Management it was noted that there was a non-submission of declaration of interests which were requested by the auditors to be submitted on the request for information RFI 78. The ff details the information which was requested.

  1. N Amoah Employed by EC Health- Ubomi Civies Amnt R 2 929 630.54
  2. SH Mguwiwa EC Local Goverment- Sperfecta 494 cc- R3 000.00
  3. PSE Sibhozo EC
CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT

CONSOLIDATED ANNUAL REPORT

Education- Sibhozo Building Constr R 806 286.61
P Plata EC Health- Sizozama R388 102.80
L Mpongoshe Gauteng- Infrastructure Dev- Lukpezool Constr R95 588.77
Z Skyei- SAPS- Hire Equipment R17 500.00
ZB Ramuse- Human Science Research Council- Coronado Trading, R13 000.00
L Lisa- EC Education- Coronado Trading, R13 000.00
B Mfebe- EC Education- Mamaya's Trading, R 3 600.00
OZ Nkungwana- EC Health- Zee Trd, R9 000.00
NP Kula EC Health- Ayzali Trd, R 7 000.00
ZS Mtongana- EC Education- Chris hani Choral Music Ass, R 75 000.00
K Roto EC Education- Chris hani Choral Music Ass, R 75 000.00
LA Tintelo- EC health- Chris hani Choral Music Music ass, R75 000.00
V Spondo- EC Education-Vuyolwa Trd, R 7000.00
NC Mpange EC Education- Mpira & Wabo's, R 30 750
TOTAL R4 548 458.72

Further noted that the ff information which was declaration of interest which was requested on RFI 77 was not submitted:
Tarka Constr and Proj with CIPC 1st name as Somikazi Eulenthia Gwaza. Employee name Ms SE Gwaza with Amount R3 3 000.00
(2) Ezikahintsa Freight CIPC 1st name Pumzile Colin Kearney Pukwana- Employee name Mr PCK Pukwana with an amount of R3 000.00. Proper records for the municipality's procurement and contract management are not kept in order to provide adequate information when requested by the auditors. This non compliance has resulted in the municipality incurring irregular expenditure to the value of R4 881 459. This irregular expenditure is not disclosed in the AFS of the municipality. The ff declaration of interest was not submitted 1. N Amoah- Ubomi Civils, P Plata- Sizozama, L Mpongoshe, Lukpezool, ZB Ramushe- Coronado Trading. The declaration of interest for the employee was subsequently obtained, however the employee declared that she did not have an interest with the municipality but through inspection of the employee masterfile the employee was stated as an employee in the municipality. Tarka & Constr- CIPC name- Somikazi Eulenthia Gwaza- Ms SE Gwaza Exp Amount R3 000.00

AUDITOR GENERAL’S RECOMMENDED ACTION

RESPONSIBLE DEPT / PERSON

PROPOSED ACTION(S) TO BE TAKEN

TARGET DATE

PROGRESS REPORT

Chief Financial Officer

Management will ensure that the status of all the bidders being verified before engaging into business with the municipality. A process will be developed that will help us to achieve this
Ongoing
By management
By Auditor General

Expenditure: incorrectly classification of expenditure item

In terms of Sec 122(1) of the MFMA every municipality and every municipal entity must for each financial year prepare AFS which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management or revenue, expenditure, assets and liabilities, its business activities, its financial results, and its its financial position as at the end of the financial year. DHLG & TA, Aount R18 990- Cleaning Yard at Disaster has been incorrectly classified under Grants instead of being classified under general expenditure. The ff expenditure has been incorrectly classified under Grants instead of being classified under contracted services. (Business Connexion under FMG Amount R13 851 being classified as Expenditure Support) Lack of review of transactions after being recorded. The general expenditure could be understated by R4 644 064.72
<table>
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<tr>
<th>AUDIT REPORT FINDING:</th>
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<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruitless and Wasteful Expenditure: Incorrectly classification as irregular expenditure</td>
<td>Chief Financial Officer</td>
<td>On a monthly basis the irregular and fruitless expenditure report must be submitted to the CFO and Municipal Manager to evaluate it</td>
<td>01-Jul-14</td>
<td>By management</td>
</tr>
</tbody>
</table>

Sec 62(1) (c) (i) of the MFMA states that, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent systems of financial risk management and internal control. The ff transaction was classified as irregular Expenditure. The classification as irregular expenditure is not correct as this transaction is not as a result of non compliance with SCM regulations. The service provider was paid, however no work was performed due to unavailability of Management. The payment was made for services that whilst no services were rendered and therefore should be classified as fruitless and wasteful. (PWC Amt R107 741.67) Management not reviewing the schedule and classification of transaction properly before preparation of AFS. Irregular expenditure might be misstated and fruitless and wasteful understated.

<table>
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<tr>
<th>AUDIT REPORT FINDING:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Finance Costs: Interests Incomplete for DBSA Loans</td>
<td>Chief Financial Officer</td>
<td>In terms of Sec 122(1) (a) of the MFMA every municipality and every municipal entity must for each financial year prepare AFS which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management or revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position at the end of the financial year. Whilst auditing interest expense it was noted that finance costs pertaining to the DBSA loan was not complete, the amount per the confirmation recieved by DBSA and the amount recorded in the Trial balance and general Ledger do not agree. (Amount per the confirmation R160 726.48) (Amount per the Trial Balance R74 876.55)Difference being=R85 849.93. This is a result of management not taking adequate care when processing transactions during the year. Disagreement:*&quot;The finance cost as disclosed in the financial statements is understated by R85 849.93&quot;</td>
<td>01-Jul-14</td>
<td>By management</td>
</tr>
</tbody>
</table>
**CONSOLIDATION OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT**

<table>
<thead>
<tr>
<th>RECOMMENDED ACTION</th>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>There will be a process consultation of with DBSA to sought some clarities to the matter and adjust accordingly</td>
<td>30-Jan-14</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

- **Expenditure:** Payment not made within 30 days of the Invoice
  - Item (20)

<table>
<thead>
<tr>
<th>RESPONSIBLE DEPT / PERSON</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Management agreed to establish a ‘stamping’ procedure in all invoices received and monitor the payment process very closely.</td>
<td>Ongoing</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

- **Expenditure:** Invoices recorded in the incorrect accounting period.
  - Item (21)

<table>
<thead>
<tr>
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<th>TARGET DATE</th>
<th>PROGRESS REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>A correction of Error will be done and 2011/12 creditors will be reinstated</td>
<td>28-Feb-14</td>
<td>By management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

- **AOPO:** Submission of Insufficient Information

<table>
<thead>
<tr>
<th>PROPOSED ACTION(S) TO BE TAKEN</th>
<th>TARGET DATE</th>
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<tbody>
<tr>
<td>Information was requested through RFI 41 however, through inspection of the files submitted it eas ascertained that ff reports could not be found. Food samples (12 Shops identified) Food Premises(59 shops identified) Waste water samples, Drinking water samples. Lack of proper keeping and safe keeping of information to ensure adequate supporting documentation exists to support all performance indicators reported in the Annual Performance report.</td>
<td></td>
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</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
# CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT

## CONSOLIDATED ANNUAL REPORT

### Item (22)

<table>
<thead>
<tr>
<th>AUDITOR GENERAL’s RECOMMENDED ACTION</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By management By Auditor General</td>
<td></td>
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</table>

### Item (23)

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<tbody>
<tr>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
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</table>

### Item (24)

<table>
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<tr>
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<th>TARGET DATE</th>
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<tbody>
<tr>
<td>In terms of 2013 Green Drop requirement, the ff are the requirements for the purification of waste water or effluent produced by or resulting from the use of water for industrial purposes. Based on inspection of the green drop waste water reports it was noted that some samples did not comply with the Green Drop waste requirement. Lack of management oversight. This information is reported included in the performance achieved for samples taken for waste water. The indicator reflects that performance should be measured based on the number of waste water points which comply with prescribed standards and is therefore overstated.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUDITOR GENERAL’s RECOMMENDED ACTION</td>
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<td>PROGRESS REPORT</td>
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</tr>
<tr>
<td><strong>AUDIT REPORT FINDING:</strong> AOPO: NON compliance (Drinking Water)</td>
<td>Strategic Manager</td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td><strong>AUDIT REPORT FINDING:</strong> AOPO: NON compliance (Food Premises)</td>
<td>Strategic Manager</td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td><strong>AUDIT REPORT FINDING:</strong> Item (25)</td>
<td>Strategic Manager</td>
<td>Based on the inspection of the blue drop drinking water reports it was noted that some samples did not comply with the blue Drop drinking water requirements. The indicator reflects that performance should be measured based on the number of waste water points which points which comply with prescribed standards and is therefore overstated.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AUDIT REPORT FINDING:</strong> Item (26)</td>
<td>Strategic Manager</td>
<td>Per inspection of the routine Environmental Health Investigation Report (dated 28 August 2012) signed by the MM it was noted that the food premise investigation was carried out at Farmhouse Grill by the Environmental Health practitioner on 28 August 2012, further it was noted that there was a contravention with regulation 918 (Regulations governing general hygiene requirements for food premises and transport of food (30 July 1999). However there was no supporting document as proof of follow up on the visited premises. This information is reported included in the performance achieved for samples taken for waste water. The indicator reflects that performance should be measured based on the number of waste water points which comply with prescribed standards and is therefore overstated.</td>
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</table>
**AUDIT REPORT FINDING:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Responsible Dept / Person</th>
<th>Proposed Action(s) to Be Taken</th>
<th>Target Date</th>
<th>Progress Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>(27) AOPO: Non compliance: Food samples</td>
<td>Strategic Manager</td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td>(28) Predetermined Objectives: Waste water samples not found in Green Drop System</td>
<td>Strategic Manager</td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
</tr>
<tr>
<td>(29) Predetermined Objectives: Drinking water samples not found in Green Drop System</td>
<td>Strategic Manager</td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
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</tbody>
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**“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”**
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<tr>
<td><strong>Strategic Manager</strong></td>
<td>Performance management system for the whole institution will be reviewed and a service provider will be appointed to evaluate the report and ensure that reports are aligned with the SDBIP and IDP</td>
<td>28-Feb-14</td>
<td></td>
</tr>
<tr>
<td><strong>Predefined Objectives:</strong> Non-compliance with sec 46 of MSA</td>
<td>The municipality has not prepared for the 2012/13 financial year, the performance report that is in accordance with section 46 of the MSA that reflect the ff: * The performance of the municipality and each service provider * A comparison of the performance with targets set for and performance in the previous financial year and * measures taken to improve performance.</td>
<td>28-Feb-14</td>
<td>By Management By Auditor General</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:**

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<tbody>
<tr>
<td><strong>Strategic Manager</strong></td>
<td>During the audit of the performance bonus, noted the total remuneration package used by management to determine the performance bonus does not agree with the total remuneration package on the Payday system. The ff total remuneration package did not agree with total remuneration package on the Payday system: ( Per auditor’s calculation; employee 3041 R1 499 003.10, Payday R1 465 408.00 Variance R33 595.10)( Employee 2024 - R1 105 581.81:  R1 083 228.59 Variance R22 353.21) ( Employee 1429 R1 105 581.80, R1 083 228.89- Variance R22 353.21) This is because management erroneously included telephone allowance which should be excluded</td>
<td>28-Feb-14</td>
</tr>
</tbody>
</table>

**AUDITOR GENERAL’s RECOMMENDED ACTION**

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<tbody>
<tr>
<td><strong>Director Corporate Services</strong></td>
<td>Management will ensure that packages on the system and the contract talks to each other to avoid these irregularities on calculations</td>
<td>30-Jan-14</td>
</tr>
<tr>
<td>AUDIT REPORT FINDING:</td>
<td>RESPONSIBLE DEPT / PERSON</td>
<td>PROPOSED ACTION(S) TO BE TAKEN</td>
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<tr>
<td>Performance bonus calculated on resigned managers Item(32)</td>
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<td>During the audit of provision, noted that performance bonus has been calculated on the ff managers who have resigned: Corporate services Manager &amp; Strategic services manager. The result in the provision performance bonus being overstated by R55 279.</td>
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<tr>
<td>AUDITOR GENERAL’s RECOMMENDED ACTION</td>
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<td>RESPONSIBLE DEPT / PERSON</td>
<td>PROPOSED ACTION(S) TO BE TAKEN</td>
</tr>
<tr>
<td>Provision: Long Service award; incorrect current provision amount has been used (33)</td>
<td>Chief Financial Officer</td>
<td>Management will ensure that provision for performance bonus will only be calculated on managers that are still on service. An adjustment will be done on provision raised for 2013</td>
</tr>
<tr>
<td>AUDITOR GENERAL’s RECOMMENDED ACTION</td>
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<tr>
<td>AUDIT REPORT FINDING:</td>
<td>RESPONSIBLE DEPT / PERSON</td>
<td>PROPOSED ACTION(S) TO BE TAKEN</td>
</tr>
<tr>
<td>SARS Accounts not followed up timeously Item (34)</td>
<td>Chief Financial Officer</td>
<td>Adjustment will be made in the AFS</td>
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</table>
### AUDIT REPORT FINDING:
**Duplicate Payments not cleared when recovered**
**Item (35)**

Duplicate payments amounting to R660 764.65 which were recovered by the Municipality are still reflected as debtors for account number 26040713. It was stated that this is due to incorrect votes that are used when recovering Duplicate payments that are made initially to suppliers.

<table>
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</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Suspense accounts are cleared on a monthly basis and report on suspense accounts is submitted to the CFO on a monthly basis</td>
<td>Ongoing</td>
<td>*By Management *By Auditor General</td>
</tr>
</tbody>
</table>

### AUDIT REPORT FINDING:
**Accumulated Surplus: Supporting documentation of adjustment**
**Item (36)**

Per the audit work performed on accumulated surplus it was noted that management processed journal J060312 in the accumulated surplus account, this resulted in an increase in grant revenue and a decrease in unspent liability. Management could not provide adequate information that the amount of R 34 634 979.43 all relates to Department of Water where management had met conditions of the grant.

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Reconciliation of Income and Expenditure for all the grants received from Water Affairs and also collection supporting documentation talking to the amount</td>
<td>28-Feb-14</td>
<td>*By Management *By Auditor General</td>
</tr>
</tbody>
</table>

*Management will follow-up with SARS in making sure that this is cleared.*
**AUDIT REPORT FINDING:** Grants and subsidies: Non Submission of payment vouchers Item (37)

The ff payments vouchers requested on RFI 46 were not submitted for audit purposes (MIG R683 916.44, MIG R681 289.66, MIG R 467 445.85, Roads and Public Works R80 000.00) The extrapolated misstatement as a result of this non-submission amount to R5 843 988.42

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td>An intern has been assigned to be responsible for our store room and control have been put in place where every voucher that is going out is recorded and the person taking the voucher signs for it</td>
<td>Ongoing</td>
<td>By Management</td>
</tr>
</tbody>
</table>

**AUDIT REPORT FINDING:** Grants and Subsidies: Unspent conditional grants not supported by bank balance and trial balance Item (38)

During the audit of grants and subsidies it was noted that the unspent conditional grants balance is not supported by the bank balance. The differences between the balance unspent on grants as disclosed in note 15 and 20 to the financial statements and the bank statements in the call accounts are as follows (Bal per call account R18 073 920.91) (National Grants Variance R11 005 754.68) Provincial Grants Variance R23 105 791.09. Furthermore a variance was identified when the unspent conditional grant was reconciled as ff; Recalculated unspent grant liability R 58 572 728.79- unspent Conditional Grants liability @ the end of the year as per AFS R56 611 657.00 resulting to a Variance of R961 071.79. There is no proper system in place to account for conditional grants that were received by the municipality.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td>Reconciliation of grants received and bank is done on a monthly basis. Opening Balances will be reconciled and we will ensure that all grants are transferred in the correct bank accounts. Bank Reconciliation is done on a monthly basis and is reviewed by Manager Accounting Services and Submitted to the CFO on a Monthly basis.</td>
<td>Ongoing</td>
<td>By Management</td>
</tr>
</tbody>
</table>
1.8 ANNUAL REPORT PROCESS

On an annual basis, the Chris Hani District Municipality prepares its annual report. The process of preparing the annual report is guided by the Local Government: Municipal Financial Management Act, 56 of 2003 (MFMA) as well as the Local Government: Municipal Systems Act, 32 of 2000 (MSA). In terms of these pieces of legislation, within nine months of the end of the financial year, a Council of a municipality must deal with the annual report. These further suggest that within seven months, the mayor of a municipality must table in Council a draft annual report upon which the public can make comments.

The MSA, on the other hand prescribes that a performance report must be prepared and submitted to the auditor general within a month of the end of the financial year and that such report must form part of the annual report to be prepared by the municipality. Furthermore, the MSA prescribes that the public must participate in the process of performance assessment of the municipality and must be provided an opportunity to engage on the performance of the municipality.

In compliance with these pieces of legislation, the Chris Hani District Municipality prepared a process plan which it would follow in ensuring that all legislative prescriptions are adhered to. The process is highlighted below in table 1.1. The Council of the Chris Hani District Municipality has been unwavering on its commitment to adhere to legislation and as such, strict adherence to the programme as stipulated was ensured.

<table>
<thead>
<tr>
<th>No</th>
<th>Activity</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Planning for the review of the IDP and preparation of the next financial year budget commences, the IDP/Budget Process and Framework Plan is prepared.</td>
<td>July</td>
</tr>
<tr>
<td>2</td>
<td>The implementation of the financial year’s SDBIP commences</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Consolidation of the fourth quarter performance information is undertaken</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Submit 2012/2013 Annual Performance Report prepared in terms of Section 46 of the Municipal Systems Act to Internal Audit and Auditor-General</td>
<td>August</td>
</tr>
<tr>
<td>5</td>
<td>Audit/Performance committee considers 2012/2013 Annual Performance Report of municipality</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Auditor General audits 2012/2013 Annual Performance Report including consolidated Annual Financial Statements</td>
<td>September - October</td>
</tr>
<tr>
<td>8</td>
<td>Management letter is received and the municipality starts to address the Auditor General’s comments</td>
<td>November</td>
</tr>
<tr>
<td>9</td>
<td>Strategising for the next Budget and IDP commences with inputs from the 2012/2013 Annual Performance Report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Draft Audit Action Plan is developed and presented to the Auditor General</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>11</td>
<td>Audit Action Plan in response to the issues raised by the Auditor General is finalised and approved</td>
<td>December</td>
</tr>
<tr>
<td>13</td>
<td>The 2012/2013 Draft Annual Report is made public and communities and stakeholders are invited to comment</td>
<td>February</td>
</tr>
<tr>
<td>14</td>
<td>Roadshows on the Draft Annual Report undertaken to ensure public engages with the Draft Annual Report</td>
<td>March</td>
</tr>
<tr>
<td>15</td>
<td>Municipal Public Accounts Committee assesses Draft Annual Report and prepares a report for submission to Council</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Council adopts the 2012/2013 Annual Report and the Oversight Report</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Final 2012/2013 Annual Report as adopted by Council as well as the Oversight Report is submitted to relevant provincial councils and departments</td>
<td>April</td>
</tr>
<tr>
<td>18</td>
<td>Approved 2012/2013 Annual Report and Oversight Report is made public</td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 46: Annual Report Process**
CHAPTER 2: GOVERNANCE

2.1 INTRODUCTION TO GOVERNANCE

The Chris Hani District Municipality was established in terms of the provisions contained in Chapter 1 of the Local Government: Municipal Structures Act, 117 of 1998 (MStrA). In terms of these provisions, the Chris Hani District Municipality is a category C municipality (District Municipality). Furthermore, this municipality was established as a Mayoral Executive System which implies the exercise of executive authority through an executive mayor in whom the executive leadership of the municipality is vested and who is assisted by a mayoral committee. These relate primarily to political decisions that must be taken on the day-to-day basis to ensure the smooth operation of the municipality. Whilst the Executive Mayor of the CHDM exercises executive powers, the Council of the CHDM remains the highest decision-making body within the municipality and is the only body vested with the power to make decisions around the development trajectory of the municipality.

The political arm of the municipality is complemented by the administration which is led by the Municipal Manager. The administration is responsible for providing technical support such that all the plans of Council are implemented in an efficient, effective and economical manner. The administration and the political arm alike adhere to the principles of good and clean governance through ensuring that adequate checks and balances are in place and that effective oversight on the operations is adequately exercised. Given the fact that the CHDM is not in isolation but rather a member of the South African populace and its system of government, it has to, from time to time, engage with the public and other spheres of government. As such, the municipality has established formal intergovernmental relations protocols to engage stakeholders and other spheres of government and has institutionalised public participation mechanisms such as the Mayoral Imbizos where communities have an opportunity to engage with the politicians and administration on their developmental needs.

These instruments of governance, taken together, allow the Chris Hani District Municipality to deliver on the mandate as given by the communities which it serves. The sections that follow provide a detail in terms of how each of these components operate and how decisions around key development issues are arrived at, all this within the legal framework that governs local government in South Africa.
2.1 POLITICAL ARRANGEMENTS

As would be reflective in other spheres of government, the Council of the Chris Hani District Municipality is the legislative component of the municipal government. It is in this structure that local laws are promulgated, decisions around the direction of development for the region are taken, and is the body charged with overseeing the operations of the municipality such that they adhere to the democratic principles as enshrined in the South African Constitution. Membership to Council is through the electoral process of the country where there are Councillors directly elected and thence become full time Councillors of the Council, as well as Councillors that are elected to represent their local municipalities in the district Council. Currently, the Council of CHDM is made up of 42 Councillors, 17 of which are on Proportional Representation (PR) and 25 direct representatives from local municipalities within the District. Seven of the PR Councillors are members of the Mayoral Committee. The table below depicts the composition of Council in terms of party representation of the PR Councillors:

<table>
<thead>
<tr>
<th>POLITICAL PARTY</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANC</td>
<td>14</td>
</tr>
<tr>
<td>UDM</td>
<td>1</td>
</tr>
<tr>
<td>DA</td>
<td>1</td>
</tr>
<tr>
<td>COPE</td>
<td>1</td>
</tr>
</tbody>
</table>

**TABLE 47: Composition of Council**

Additionally, the table below represents the composition of Council, inclusive of the 25 Councillors representing local municipalities:

<table>
<thead>
<tr>
<th>POLITICAL PARTY</th>
<th>NO OF COUNCILLORS</th>
<th>GENDER DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MALE</td>
</tr>
<tr>
<td>ANC</td>
<td>35</td>
<td>20</td>
</tr>
<tr>
<td>DA</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>UDM</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>COPE</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**TABLE 48: Party demographic distribution**

The Council of CHDM has a Speaker who is the chairperson of Council and is charged with the responsibility of convening and presiding over Council meetings. To ensure its effectiveness, the Council of CHDM also established a number of Section 79 committees which assist it in performing its oversight duties. Membership to such committees is through election from within the membership of Council the chairperson and ordinary members of the committee. In addition to these committees, assurance committees have also been established (Audit Committees). In accordance with Section 80 of the MStrA, six committees were established to assist the Executive Mayor in discharging his duties. These committees...
perform oversight over the various departments of the municipality. Figure 1 below illustrates the political structure of the CHDM:

**FIGURE 3: High level political structure**
2.2 FACES OF COUNCIL

CLLR N. Makhanda: Council Speaker

CLLR M. Koyo: Executive Mayor

CLLR G. Xhoseni: Chief Whip
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CLLR N. Matiwana – Portfolio Head: Health and Community Services

CLLR S. Plata – Portfolio Head: Finance

CLLR Z. Shweni – Portfolio Head: Corporate Services

CLLR M. Xuma – Portfolio Head: Infrastructure

CLLR L. Gunuza – Portfolio Head: Integrated Planning and Economic Development

CLLR T. Bukwana – Portfolio Head: SPU and HIV&AIDS

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2.3 ADMINISTRATIVE ARRANGEMENTS

The Municipal Manager is the Head of the administration and Accounting Officer as defined in the Municipal Structures Act 117 of 1998. The responsibilities of the Municipal Manager include managing the administrative and financial affairs of the municipality and to ensure that municipal services are delivered in an efficient, effective and economical manner. With his complement of directors appointed in terms of Section 56 of the MSA, the Municipal Manager determines the pace of development within the municipal area as per Council directives. Each director is responsible for their area of expertise from time to time, an Executive Management meeting is held where the Municipal Manager engages the directors on various matters that affect service delivery. Figure 2 below illustrates the high level administrative structure:

**FIGURE 4: High level administrative structure**
2.4 CHDM SENIOR MANAGEMENT

Mr M. Mene: Municipal Manager

Mr Y. Ngqele: Chief Financial Officer

Mr M. Dungu: Director: Engineering
Mrs N. Nqwazi – Director: 
Integrated Planning and Economic Development

Strategic Manager: Vacant

Ms Y. Sinyanya – Director: 
Health and Community Services

Mrs Y. Dakuse – Director: 
Corporate Services
2.5 INTERGOVERNMENTAL RELATIONS

Chapter 3 of the Constitution describes the three spheres as being ‘distinctive, interdependent and interrelated’ and enjoins them to ‘cooperate with one another in mutual trust and good faith’. An important element of this cooperative relationship is that there needs to be a clear understanding of each sphere of government’s powers and functions to ensure that a sphere of government or organ of state ‘does not encroach on the geographical, functional or institutional integrity of government in another sphere’. In addition to the Constitution, various legislation governs or organises the system of intergovernmental relations. Among other things, the legislation formalises the different spheres’ roles and responsibilities with regard to various functions and provides for a range of consultative structures. The South African system of intergovernmental relations is complex and continues to evolve as better modes of cooperation and coordination emerge and as functions are shifted between the spheres. The following key elements and principles underpin the intergovernmental system:

- **Accountability**: Each sphere has specific constitutionally defined powers and responsibilities, is accountable to its legislature or council, and is empowered to set its own priorities. The power of national government to intervene in provincial and local government matters, and provincial governments to intervene in local government matters, depends on whether the relevant sphere fails to carry out an executive obligation.

- **Transparency and good governance**: Accountability of political representatives to the electorate and transparent reporting arrangements within and between spheres is at the heart of the intergovernmental system. While political executives are responsible for policy and outcomes, the accounting officers are responsible for implementation and outputs.

- **Mutual support**: National and provincial governments have a duty to strengthen the capacity of municipalities. Spheres of government must also act cooperatively towards each other, for instance through avoiding legal action until all other mechanisms have been exhausted.

- **Redistribution**: The three spheres all have important roles to play in redistribution, but because inequalities exist across the country, the redistribution of resources is primarily a national function. Where provinces and municipalities undertake redistribution, the challenge is to do this in line with their fiscal capacity and not to undermine economic activity and their financial viability. Redistribution among the three spheres is achieved through the vertical division of revenue. Redistribution among provinces and municipalities is effected through their respective equitable share formulae.
**Vertical division:** Determining allocations to each sphere of government inevitably involves trade-offs that are made in the course of a comprehensive budget process driven by political priorities, and which covers all aspects of governance and service delivery. Separate and ad hoc requests for funds fragment the coherence of the budget and undermine the political process of prioritisation.

**Revenue-sharing:** The fiscal system takes into account the fiscal capacity and functions assigned to each sphere. Provinces and municipalities are funded from own revenues, equitable share allocations, and conditional and unconditional grants. The grant system must be simple and comprehensive and not compensate provinces and municipalities that fail to collect own revenues.

**Broadened access to services:** The Constitution and current government policy prioritises broadening access to services. The responsible spheres are expected to design appropriate levels of service to meet customer needs in an affordable manner, explore innovative and efficient modes of delivery, and leverage public and private resources to fund infrastructure.

**Responsibility over budgets:** Each sphere of government has the right to determine its own budget and the responsibility to comply with it. To reduce moral hazard and ensure fairness, national government will not bail out provinces or municipalities that mismanage their funds, nor provide guarantees for loans.

As such, understanding that the delivery of services cannot be the sole mandate of any one sphere of government, the continued cooperation between the spheres of government within the Chris Hani Region have contributed enormously to the question of development in areas such as education, social development, housing and water provisioning

### 2.5.1. Key Intergovernmental Relations Structures

To effectively engage in intergovernmental matters, the Chris Hani District Municipality established IGR structures that would amongst other things ensure that there is continued engagement, sharing of information and effective decision making. These structures are informed partly by the current arrangements both national and provincial, but also take into account the contextual realities within the CHDM. Figure 3 below illustrates the structures currently existing in CHDM and their levels in terms of decision making:
During the financial year under review, the municipality has made significant strides in as far as operationalising its key IGR instruments. To this effect, the municipality has been actively involved in all national and provincial IGR programmes. Key amongst these is the 100% attendance of the municipality in provincial IGR structures such as the Premier’s Co-ordinating Forum (PCF), the MuniMEC, as well as the technical MuniMEC.

At the district level, on a quarterly basis, the Executive Mayor and his counterparts from the various local municipalities within the district jurisdiction meet and engage on matters of mutual interest under the ambit of the District Mayor’s Forum (DIMAFU). This structure is supported by a technical structure headed by the Municipal Manager wherein he engages with his counterparts from the various local municipalities. This structure is called the Technical DIMAFU. During the financial year under review, these structures have proved to be functional and contribute positively to the decision making process within the district. They indeed have been meeting regularly as planned.
2.6 PUBLIC PARTICIPATION AND ACCOUNTABILITY AND COMMUNICATIONS

Community participation, through appropriate structures, is the core of chapter four of the MSA. Broadly understood, municipal councils must institutionalise community participation in their affairs and the development of the community. Section 16 of the MSA requires municipalities to complement formal representative government with a system of participatory governance, and must for this purpose, inter alia, encourage, and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its integrated development plan, the establishment, implementation and review of its performance management, the monitoring and review of its performance, including the outcomes and impact of such performance and the preparation of its budget. Therefore, in line with this requirement, the centre piece of the public participation ethos of the Chris Hani District Municipality is anchored on the processes related to the preparation and reporting on the implementation of the municipality’s Integrated Development Plan (IDP) and Budget each year.

It is therefore evident that public participation should be promoted in order to achieve, *inter alia*, the following objectives:

- Consult with the community on their developmental challenges;
- Form basis for people-centred governance and bottom-up planning process;
- Improve the relationship between council and the communities and thereby improve political accountability and transparency;
- Empower communities through information dissemination/assimilation;
- Establish the community feedback programme, which allows local leaders the opportunity to interact with communities on issues of service delivery;
- Provide communities with a platform to influence the developmental trajectory of municipalities and government in general; and
- Provides the municipality with a project/programme evaluation and implementation monitoring feedback mechanism.

Whilst public participation is the process through which peoples and communities highlight their needs and aspirations, accountability is the end toward which the municipal Council strives. This is to ensure that the authority delegated by communities to the Council is utilised in a manner consistent with the provisions of law and the attainment of the needs of the
communities. The Council must account to the communities on the use of authority in relation to the management of financial affairs within the municipality, commitments made by the municipality regarding the service delivery needs of communities (ranging from basic services such as water and sanitation, roads, municipal health services as well as the development of the local economy) and the progress in achieving those, and finally, on matters of good governance.

To give effect to the institutionalisation of the public participation process, the CHDM has derived a number of mechanisms that seek to ensure maximisation of this process. Key amongst these are those structures formed for public participation processes such as the IDP Representative Forum, Council meetings themselves which are open to the public, Mayoral Imbizos and various other media communication channels such as community radios and special engagements with specific groupings by the Executive Mayor. Apart from ensuring legislative compliance, these processes have ensured that the community remains informed of CHDM programmes and that they actively participate in defining the development they need. The following tables depict the public participation meetings held by the municipality in respect of the development of the IDP as well as the roadshows on the 2012/2013 draft annual report.

<table>
<thead>
<tr>
<th>CHDM ACTION PLAN</th>
<th>PARTICIPATION STRUCTURES &amp; MEETING DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDP Advert calling Stakeholders</td>
<td>25 July 2012</td>
</tr>
<tr>
<td>IDP Steering Committee (pre-planning and review implementation)</td>
<td>02 August 2012</td>
</tr>
<tr>
<td>Mayoral Committee Meeting to look on IDP Process Plan</td>
<td></td>
</tr>
<tr>
<td>Technical IGR Meeting</td>
<td>07 August 2012</td>
</tr>
<tr>
<td>IDP Steering Committee</td>
<td>18 Sept 2012</td>
</tr>
<tr>
<td>DIMAFO</td>
<td>28 September 2012</td>
</tr>
<tr>
<td>IDP/PMS/Budget Representative Forum [district-wide development priorities]</td>
<td>25 September 2012</td>
</tr>
<tr>
<td>District Wide IDP Engagements</td>
<td>25 Sept 2012</td>
</tr>
<tr>
<td>Technical IGR</td>
<td>27 November 2012</td>
</tr>
<tr>
<td>IDP Steering Meeting</td>
<td>14 November 2012</td>
</tr>
<tr>
<td>DIMAFO</td>
<td>17 November 2012</td>
</tr>
<tr>
<td>IDP Rep Forum</td>
<td>22 November 2012</td>
</tr>
<tr>
<td>IDP Steering Meeting</td>
<td>21 January 2013</td>
</tr>
<tr>
<td>Budget Session with directorates</td>
<td>14-18 Jan 2013</td>
</tr>
<tr>
<td>Strategic Planning session (mid-year term review and strategic goals)</td>
<td>25-27 February 2013</td>
</tr>
</tbody>
</table>
CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT

CONSOLIDATED ANNUAL REPORT

IDP Representative Forum 07 February 2013
Technical IGR with Sector Depts Managers 11 February 2013
DIMAFO 02 March 2012
IDP Steering Meeting 08 March 2013
Refinement of Obj- Strategies and Budget 13 March 2013
Council approval of the draft IDP & Budget
IDP/ Budget road shows (public presentation hearings at LMs)
IDP Steering Committee to incorporate inputs into the IDP Roadshows
Technical IGR
DIMAFO
State of the District Address (present final IDP/Budget)
Council Meeting (Final Adoption of IDP & Budget)

TABLE 49: IDP Action plan

2012/2013 Draft annual report public participation meetings

<table>
<thead>
<tr>
<th>DATE</th>
<th>MUNICIPALITY</th>
<th>TIME</th>
<th>VENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/03/2014</td>
<td>Sakhisizwe Local Municipality</td>
<td>10:00</td>
<td>Elliot Town Hall</td>
</tr>
<tr>
<td>4/03/2014</td>
<td>Lukhanji Municipality</td>
<td>10:00</td>
<td>Sada Community Hall</td>
</tr>
<tr>
<td>5/03/2014</td>
<td>Lukhanji Municipality</td>
<td>10:00</td>
<td>Skweyiya Hall</td>
</tr>
<tr>
<td>5/03/2014</td>
<td>Intsika Yethu Local Municipality</td>
<td>10:00</td>
<td>Cofimvaba Town Hall</td>
</tr>
<tr>
<td>7/03/2014</td>
<td>Lukhanji Municipality</td>
<td>10:00</td>
<td>Ezibeleni</td>
</tr>
<tr>
<td>7/03/2014</td>
<td>Engcobo Local Municipality</td>
<td>10:00</td>
<td>Engcobo Town Hall</td>
</tr>
<tr>
<td>10/03/2014</td>
<td>Tsolwana Local Municipality</td>
<td>10:00</td>
<td>Tarkastad Town Hall</td>
</tr>
<tr>
<td>10/03/2014</td>
<td>Emalahleni Local Municipality</td>
<td>10:00</td>
<td>Aida</td>
</tr>
<tr>
<td>11/03/2014</td>
<td>Inxuba Yethemba Local Municipality</td>
<td>10:00</td>
<td>Cradock</td>
</tr>
<tr>
<td>11/03/2014</td>
<td>Inkwanca Local Municipality</td>
<td>10:00</td>
<td>Masakhane Community Hall - Sterkstroom</td>
</tr>
</tbody>
</table>

TABLE 50: Draft Annual Report public participation process

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
These meetings are effective in the sense that they indeed take place and hence allow communities and stakeholder to provide inputs in the planning processes of the municipality and ultimately, to hold the municipality accountable on its performance.

All of these meetings are informed by the activity plan that the Council of CHDM approved, generally referred to as the IDP process plan. This process plan indicates all the activities undertaken in relation to the preparation of the IDP as well as the statutory requirements that the municipality has to fulfil.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Timeframe</th>
<th>Responsible Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Preparation phase / Pre-planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Advertise invitation of IDP Stakeholders to Register</td>
<td>25 July 2012</td>
<td>IPED</td>
</tr>
<tr>
<td>Standing Committee to Comment on IDP Framework &amp; Process Plan</td>
<td>10 July 2012</td>
<td>IPED</td>
</tr>
<tr>
<td>Mayoral Committee to look on the IDP Framework &amp; IDP/Budget Process Plan</td>
<td>31 July 2012</td>
<td>MM/BTO</td>
</tr>
<tr>
<td>3 Council Approval of Framework Plan &amp; Process Plans (IDP &amp; Budget)</td>
<td>08 August 2012</td>
<td>IPED/BTO</td>
</tr>
<tr>
<td>Advertise Adopted IDP Process Plan</td>
<td>13 August 2012</td>
<td>IPED</td>
</tr>
<tr>
<td>4 IDP/PMS/Budget Steering Committee meeting to review Implementation progress and prepare for the 12/1 IDP Process</td>
<td>18 September 2012</td>
<td>IPED/BTO</td>
</tr>
<tr>
<td>Technical IGR Meeting for Officials</td>
<td>07 August 2012</td>
<td>MM</td>
</tr>
<tr>
<td>6 District Mayors Forum</td>
<td>28 August 2012</td>
<td>MM</td>
</tr>
<tr>
<td>Launch (District wide level). IDP/PMS/Budget Representative Forum to outline terms of reference, report progress, explain process.</td>
<td>25 September 2012</td>
<td>IPED</td>
</tr>
<tr>
<td>Quarter 1 Performance reporting (July - Sept)</td>
<td>10 October 2012</td>
<td>HOD's/MM</td>
</tr>
<tr>
<td>B+C Analysis Phase / Monitoring and evaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Assess implementation progress (HODs to present action plans for existing projects and planned completion dates for projects, aligning expenditure with progress), impact of new information/unexpected events, evaluation of achievement with regard to objectives, strategies and projects (per programme), overview of funding available per cluster (both from savings as well as new funding from operating budget and from external funds), possible implications on programmes of additional sector information.</td>
<td>July - October 2012</td>
<td>All Departments Championed by HOD's</td>
</tr>
<tr>
<td>IDP/PMS/Budget Steering Committee meeting to review Implementation progress and report on gaps identified during the analysis phase</td>
<td>11 October 2012</td>
<td>IPED/BTO</td>
</tr>
<tr>
<td>Issue Budget guidelines to Directorates, focusing on revenue and expenditure projections</td>
<td>06 November 2012</td>
<td>BTO</td>
</tr>
<tr>
<td>Technical IGR Meeting</td>
<td>12 November 2012</td>
<td>MM</td>
</tr>
<tr>
<td>District Mayors Forum</td>
<td>28 November 2012</td>
<td>MM</td>
</tr>
<tr>
<td>IDP/PMS/Budget Rep Forum meeting (Also consultative forums will meet on the same day as specialised commissions) - discuss district priorities</td>
<td>31 October 2012</td>
<td>IPED</td>
</tr>
<tr>
<td>Mid-year review process, costing of personnel requirements, Submission of Budget Proposals</td>
<td>07 December 2012</td>
<td>BTO</td>
</tr>
</tbody>
</table>
### Quarter 2 Performance reporting (Oct - Dec)

- **10 January 2013**
- **HOD"s & MM**

### D Strategies Phase / Refined objectives, strategies, programmes and projects phase

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Date</th>
<th>Lead Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid- year review approved by council Consolidate budget submissions</td>
<td>30 January 2013</td>
<td>BTO</td>
</tr>
<tr>
<td>Strategic planning session. Adopt proposed overall direction of the IDP - agree on main themes and key strategic objectives and key financial issues.</td>
<td>12-13 Feb 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>Refine objectives, strategies, programmes and draft projects as necessary for MTEF period.</td>
<td>Dec 2012 - Jan 2013</td>
<td>ALL DEPTS</td>
</tr>
<tr>
<td>IDP/Budget Steering Committee to approve draft budget allocations (IDP/ Budget link)</td>
<td>22 January 2013</td>
<td>BTO/IPED</td>
</tr>
<tr>
<td>Budget Consultations process and budget committee meetings</td>
<td>04 February 2013</td>
<td>BTO</td>
</tr>
<tr>
<td>Technical IGR Meeting</td>
<td>11 February 2013</td>
<td>MM</td>
</tr>
<tr>
<td>IDP REP Forum</td>
<td>06 February 2013</td>
<td>MM</td>
</tr>
<tr>
<td>District Mayors Forum</td>
<td>28 February 2013</td>
<td>MM</td>
</tr>
<tr>
<td>IDP/PMS/Budget Steering Committee meeting to present the draft IDP and Budget</td>
<td>14 March 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>DIMAFO Meeting</td>
<td>18 March 2013</td>
<td>MM</td>
</tr>
<tr>
<td>IDP/Budget/Representative Forum meeting to present the draft IDP</td>
<td>21 March 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>Council Workshop on the draft IDP and Budget</td>
<td>29 March 2013</td>
<td>MM</td>
</tr>
<tr>
<td>CHDM Council approval of the draft IDP &amp; Budget</td>
<td>28 March 2013</td>
<td>IPED / BTO/ Corporate Services</td>
</tr>
<tr>
<td>Identify operating impacts (including staff issues) of proposed projects and ensure that these are included in the operating budget submissions</td>
<td>01-30-March-2013</td>
<td>IPED /BTO / Corporate Services</td>
</tr>
<tr>
<td>Quarter 3 Performance reporting (Jan - March))</td>
<td>10 April 2013</td>
<td>HOD's &amp; MM</td>
</tr>
<tr>
<td>Draft IDP and Draft Budget published. Advertise for public comment (21days)</td>
<td>01 April 2013</td>
<td>IPED</td>
</tr>
</tbody>
</table>

### Reviewed IDP document (Integration/programme implementation and operational plan)

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Date</th>
<th>Lead Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDP Rep Forum</td>
<td>03 April 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>Publicise Draft Budget on local newspapers and website</td>
<td>05 April 2013</td>
<td>BTO</td>
</tr>
<tr>
<td>IDP/Budget roadshows - public hearings</td>
<td>22-24 April 2013</td>
<td>MM/IPED/BTO</td>
</tr>
<tr>
<td>IDP Steering Committee meeting (implementation and operational plan)</td>
<td>14 May 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>Technical IGR</td>
<td>09 May 2013</td>
<td>MM</td>
</tr>
<tr>
<td>IDP Rep Forum</td>
<td>23 May 2013</td>
<td>IPED</td>
</tr>
<tr>
<td>District Mayors Forum</td>
<td>15 May 2013</td>
<td>MM</td>
</tr>
<tr>
<td>Incorporate relevant comments to the Draft final reviewed IDP</td>
<td>April - May 2013</td>
<td>IPED</td>
</tr>
</tbody>
</table>

### Approval phase

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Date</th>
<th>Lead Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Workshop on the Final IDP prior Adoption</td>
<td></td>
<td>MM/IPED</td>
</tr>
<tr>
<td>CHDM Council Open Day &amp; Approval of Final IDP &amp; Budget</td>
<td>29 May 2013</td>
<td>MM, Corporate services, BTO &amp; IPED</td>
</tr>
</tbody>
</table>

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"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
The municipality has always attempted to adhere to this process plan this not only as a legislative requirement, but also to ensure that the planning processes undertaken by the municipality are seamlessly integrated. On the second level, adherence to the process plan is critical as this is the plan that outlines critical matters to be considered during the preparation in the municipal IDP. Key amongst these are issues relating to matters of alignment, not only with the planning processes of local municipalities within the jurisdiction of CHDM, but also with national and provincial programmes. The table that follows indicates some of the alignment criteria:

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

* Section 26 Municipal Systems Act 2000
The adopted IDP of the CHDM for the 2013/2014 financial year was, as per legislative requirements, assessed by the MEC responsible for Local Government in the Province and once again, the municipality was rated high. This has been a trend the CHDM has been able to maintain since 2010. The key considerations during the assessment process relate to the extent to which the municipality has complied with various pieces of legislation relating to the preparation of the IDP (particularly public participation as discussed in this section). The municipality will strengthen these processes with a view of bettering the current IDP and indeed to maintain further the rating from the province.

Communications Unit

The introduction of the Local Government Communication System compelled municipalities to establish communications units which are well resourced to dispense of their mandate.

The unit exists to ensure effective dialogue between government and communities. It thus fulfils a wide range of communication functions such as media liaison, marketing, advertising and branding, direct and intensive unmediated communication, and internal communication.

The main objectives of the unit are thus to encourage open, honest and accountable two-way dialogue with our stakeholders and Chris Hani DM citizenry (people-centeredness); to strengthen and improve internal communication systems; promote a consistent corporate identity and to market CHDM as a preferred investment destination and an institution of excellence. The unit supports all directorates and all public participation activities.

The operations of the Communications Unit are guided by a communication strategy with a program of action that is reviewed annually. The communication action plan is aligned to the municipality's IDP and key priority areas. The process towards its adoption commences with preparation of the draft document by the district communication core team and the district communication forum, circulation to the broader staff complement, management and councillors for comments. The final draft is presented to a broader consultative workshop. For the year under review the workshop was held in August 2012 with adoption of the final product in October 2012.

The Chris Hani DM communications unit comprises:

- One Communications Manager
- One Communications Officer
- One Marketing and Events Officer
- One Internal Communication Officer

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The four incumbents are responsible to see to the effective implementation of the Communication and Marketing Strategy program of action. The Communications unit is located in the office of the Executive Mayor and is administratively accountable to the office of the Municipal Manager. It utilizes two prefab outlets as offices housing the three officers and one store room that is used to store marketing equipment such as banners, bulk printer and documents. One office within the main building is allocated to the Communications Manager.

All communications personnel have access to laptops, 3G cards, tablets, emails and internet and social networks, cell phone allowances and vehicle allowance and essential car user scheme which is necessary for external assignments.

The District Municipality does not have wards, the public participation process takes place through its Local Municipalities. Furthermore, in relation to the monitoring of community development workers (CDWs), CHDM does not play any role, however coordinators are always invited to attend the District Communication Forum and provide environmental assessment for their areas. They play active role in the mobilization of communities for all public participation activities and dissemination of information in their wards.
2.7 CORPORATE GOVERNANCE

The release of the King III Report in 2009 presented a significant milestone in the evolution of corporate governance in the South African context. Understanding the numerous practical benefits that can be enjoyed when integrating its key practices into the operational processes of the municipality, the CHDM embraced these principles with a view of achieving sound governance. To this effect, the scope of corporate governance within the CHDM context spans across all assurance providers internally as well as the risk management function.

2.7.1. Purpose of the Internal Audit Unit

The internal audit unit’s purpose in the municipality is to provide advisory services to the municipal manager and senior management in areas of internal controls, risk management, performance management and governance. Some of these services are also extended to the local municipalities under the jurisdiction of this district municipality. In doing this, the unit provide both assurance and consulting services. The significant portion of internal audit resources ought to be spent providing assurance services.

2.7.2. Summary of performance of the unit

2.7.2.1. Risk management

This is not the core function of the internal audit unit. During the 2012/2013 financial year the unit played a coordinating role where the department of local government and traditional affairs through it operation clean audit initiative assisted the district with risk assessment workshop. There is an adopted risk management policy and strategy in place which are due for review.

One of the strategies adopted in attempting to entrench risk management in the municipality was the introduction of quarterly risk management reporting but there was no progress made as departments did not report on what they do to manage risks that they identified in their functional areas. The internal audit unit also assisted local municipalities by conducting risk assessment workshops at Inxuba Yethemba and Inkwanca local municipalities.

Due to conflict of interest the unit could not assess the effectiveness of risk management processes, we will only rely on the assessment conducted annually by the provincial Treasury, the questionnaire was submitted to the Treasury we are awaiting results.

2.7.2.2. Internal Control Environment

During the year the Internal Audit unit conducted the following assignments to evaluate the adequacy and effectiveness of internal controls:
Internal control weaknesses were identified and reported to management for corrective action, we have established that they have implemented 50% of our recommendations.

2.7.2.3. Governance processes.

The audit of governance processes was part of the scope but due to adhoc assignments this project could not commence therefore no assessment was made.

2.7.2.4. Fraud and corruption prevention measures

The municipality has a fraud prevention plan in place. The plan is not being implemented. During the 2011/2012 financial year there were suspected fraud and corruption incidents that were referred to the office of the municipal manager and the executive mayor respectively. In response to these, external forensic investigators were appointed and some allegations were followed up by the internal audit unit, Investigations are still progressing. During 2012/2013 there were no cases brought to the attention of Internal Audit.

2.7.2.5. Audit committee functionality

There is a fully functional audit committee in place. The committee works closely with the internal audit unit. During the 2012/2013 financial year the internal audit unit presented its reports to the audit committee. Reports of the audit committee to council were prepared quarterly. The term of office came to an end in July 2013 and the new committee commenced in August 2013, details of the audit committee are as follows

Mr T Yeboah: Chaiperson
Ms T Putzier: Member
Ms Z Madikazi: Member
2.7.2.6. Performance management

One of responsibilities of the internal audit unit is the audit of the performance information of the municipality. During the 2012/2013 financial year the focus was on the auditing of quarterly performance reports that are prepared by all departments of the municipality. The major challenge was non submission of the quarterly reports as well as portfolio of evidence files to the internal Audit unit for auditing. The performance Audit Committee contracts ended December 2011 and were later renewed in February 2012. Despite these challenges, quarterly performance reports were prepared and were submitted to the Audit Committee. The 2012/2013 SDBIP was reviewed to check whether it follows the SMART principle and the areas of concern were brought to the attention of management for rectification.

2.7.2.7. Anti-Corruption Strategy

The Council has an existing Anti-Fraud and Corruption strategy and is in the process of reviewing the strategy.

2.7.2.8. Internal audit performance

The internal audit unit worked in terms of the coverage plan that was discussed with management and approved by the audit committee. There has been a significant improvement of performance by the unit compared to previous years. This is caused by the recognition of internal audit work by leadership.

The audit assignments that could not be covered were beyond the control of the internal audit unit.

- These being the Review of 2011/12 annual financial statements;
- Review of Performance Information;
- Review of SCM; and
- As indicated under risk management paragraph above, there was a challenge of risk management reporting hence some audits could not be done. Over the 2012/2013 financial year, when measured against the approved coverage plan the internal audit achieved about 60%.

The unit also conducted awareness campaigns to management, staff and councillors so as to have a better understanding of the role of internal audit. The Internal audit unit assisted Inkwanca local municipalities with funding to do internal audit activities.
2.7.3. Resources

2.7.3.1. Financial Resources

The unit was operating with an approved budget of R1m sharing with the local municipalities.

2.7.3.2. Human resources

The Institution was still operating with the 6 internal auditors as well as an internal audit administrator:

- 1 Internal Audit Manager;
- 1 Internal Audit Administrator;
- 1 Senior Internal Auditor; and
- 4 Internal Auditors

None of the staff members have a specialized skill i.e. IT skills, Performance management and Forensic. All junior auditors have been enrolled in the Internal Audit Technician learnership (IAT) as per the recommendation of National Treasury; The Internal Audit Manager has attended and completed the CPMD with Wits.

Apart from the structured training all auditors attended the following short courses:

- IT auditing for Non IT auditors;
- Forensic investigation workshop;
- Audit of Performance Information;
- Accounting Standards

Auditors have been provided with necessary tools and resources to do their work efficiently, they have Laptops and printers they also participate in the essential user scheme for mobility when conducting internal audit assignments including verification of projects. Office space remains a challenge as they share offices and the unit cannot guarantee confidentiality of information as the outside offices are not sound proof and could be access is questionable.

The table below depicts the internal audit performance against the approved service delivery and budget implementation plan:
2.7.4. Challenges

The main challenge that affects the effectiveness of the unit is lack of management cooperation despite all the awareness campaigns conducted.

Stipulated timeframes were never kept by management therefore most of internal audit reports were issued 3 to 4 months after commencement thus not adding value, all local municipalities managed to establish their internal audit units by they still need the support of the district to assist but one Manager cannot cope to manage the district and local municipalities.

2.7.5. Recommendations

Internal Audit Manager to be invited in the HOD’s meeting to present internal audit matters. The use of service providers is not sustainable as their performance is sometimes not
satisfactory it is recommended that the district should investigate whether to continue or discontinue with the shared services.
2.7.6. Supply Chain Management

At the outset of the procurement reform process in 1995, it was recognized that a consistent legislative framework would be required to give effect to Government’s procurement reform policy objectives. It was recognized that procurement reforms would have to be limited to those measures that could be implemented within the ambit of the existing legislation.

SCM Strategic Objectives

- To ensure that the municipality has and implements a supply chain management policy this gives effect to the provisions of the Act;
- To ensure procurement of goods and services in a fair, equitable, transparent, competitive and cost effective and comply with the prescribed regulatory framework;
- That all reasonable steps are taken to ensure that proper mechanisms are in place and separation of duties in the supply chain management system is implemented to minimize likelihood of fraud, corruption, favouritism and unfair and irregular practices;
- To ensure that all contracts/agreement are in writing and are procured in line with the Supply Chain Management;
- To ensure that the supply chain management delegations are properly enforced and managed;
- That the municipal bid structures are in place and effective, to ensure competitive bidding process;
- Ensure submission of proper, accurate and applicable reports as per MFMA;
- To ensure the disposal of municipal assets in accordance with the applicable legislation; and
- Ensure that municipal inventory levels are kept at an acceptable levels as per the Municipal SCM policy.

State of Supply Chain

CHDM has approved the SCM Policy which is implemented. Currently council is in a process of reviewing the current policy as per section 111 of the MFMA and section 2 of the regulations. All SCM officials have satisfied the minimum competency levels as prescribed by MFMA. The following matters were issues raised by the auditor general in respect of the supply chain function within the municipality:

- Office space remains a big challenge- this is evident when it comes to deliveries, inventory controls, contract management and archiving. A process is in place to address this challenge for the entire institution;
Service Providers empowerment is still a challenge, this is evident on the quality of service rendered, however LED section is involved in training sessions for different categories to ensure quality performance;

Elimination of irregular expenditure is also a challenge due to the use of suppliers that are not on the database – CHDM is in the process of procuring the new database that will ensure quality of service providers; and

Poor internal controls are also highlighted as a challenge in terms of the Auditor Report

A number of initiatives have been put in place to address the key issues raised by the auditor general, these as depicted in the audit action plan.

2.7.7. By-Laws

The Chris Hani District Municipality as a sphere of local government has a number of laws that it promulgates and enforces in line with its powers and functions as contemplated in the Constitution of the country as well as in the various local government pieces of legislation. These primarily would be in the area of public transport services, fire-fighting and disaster management, local economic development related functions, municipal health services functions as well as in the water and sanitation services. For the financial year under review, the CHDM did not pass any new by-laws, nor did it make any revisions to the existing ones.

2.7.8. Municipal Website

<table>
<thead>
<tr>
<th>Municipal Website: Content and Currency of Material</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documents Published on the Municipality’s Website</strong></td>
</tr>
<tr>
<td>Current annual and adjustments budget and all budget related documents</td>
</tr>
<tr>
<td>All current budget related policies</td>
</tr>
<tr>
<td>Previous annual report (2011/2012)</td>
</tr>
<tr>
<td>Annual Report (2012/2013 – date to be published)</td>
</tr>
<tr>
<td>All current performance agreements (2012/2013 and 2013/2014)</td>
</tr>
<tr>
<td>All service delivery agreements (2012/2013)</td>
</tr>
<tr>
<td>All long term borrowing contracts (2012/2013)</td>
</tr>
<tr>
<td>All SCM contracts above a prescribed value (give value) (2012/2013)</td>
</tr>
<tr>
<td>List of disposed assets over a prescribed value (2011/2012)</td>
</tr>
<tr>
<td>Public Private Partnership agreements (2012/2013)</td>
</tr>
<tr>
<td>All quarterly reports tabled in Council (Sec 52) (2012/2013)</td>
</tr>
</tbody>
</table>
In terms of the requirements of the Local Government: Municipal Systems Act and Financial Management Act, the CHDM has developed a website and this website remains functional. On an ongoing basis, the municipality monitors the use of the website and indeed, this suggests that the website is regularly visited, however, it is noted that this is the medium used primarily to view municipal offerings in terms of employment opportunities. Indeed, uploading municipal content on the website remains limited and to address this matter, the municipality has prioritised the position of webmaster to deal with all website content matters. It is believed that this position will be filled within the new financial year.

2.7.9. Public Satisfaction on Municipal Services

The municipality did not conduct a structured public satisfaction survey rather utilised public participation activities such as Information Days, IDP Road shows, Annual Report Road shows, Provincial Exco Outreach, Stakeholder Engagements, Reports from Customer Care practitioners deployed in local municipalities, quarterly environmental assessments and mediated community engagements to gather information that highly reflected on public satisfaction / dissatisfaction on the services rendered by the district municipality. The institutionalisation and establishment of a customer care unit will see the municipality improving on this.
CHAPTER 3: SERVICE DELIVERY REPORT (ANNUAL PERFORMANCE REPORT)

3.1 INTRODUCTION TO THE ANNUAL PERFORMANCE REPORT

The Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA) requires that on an annual basis, a municipality develops a Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and this is possible because the IDP and budget are fully aligned with each other, as required by the MFMA. The budget gives effect to the strategic priorities of the municipality. The SDBIP therefore serves as a “contract” between the administration, Council and community expressing the goals and objectives set by the Council as quantifiable outcomes that can be implemented by the administration over a twelve month period. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget. Once approved, the SDBIP forms the basis of the performance plan of the Municipal Manager and cascaded down to inform the performance plans of the Section 56 managers. This ultimately forms the basis for measuring the performance of the municipality as well as the individuals performances of the municipal manager and his senior management team.

In line with this requirement, the Executive Mayor of the Chris Hani District Municipality approved the SDBIP for the 2012/2013 financial year in May 2012 and furthermore, the performance agreements of the Senior Managers were concluded in July 2012. During the development of the SDBIP, a balanced scorecard model was utilised. This means that all aspects of the operation of the municipality would be included in the SDBIP (internal business processes, financial perspectives, and service delivery perspective) with a view of ensuring that all operational aspects are monitored and evaluated against the impact they have on the operation of the municipality and the delivery of services.

For ease of consolidation, the SDBIP is divided in terms of the five key performance areas in terms of the local government strategic agenda viz.;

- KPA 1: Basic Service Delivery and Infrastructure Development;
- KPA 2: Local Economic Development;
KPA 3: Municipal Transformation and Institutional Development;  
KPA 4: Financial Viability and Management; and  
KPA 5: Good Governance and Public Participation.

In terms of KPA 1, the main focus is of tangible service delivery matters such as water and sanitation, roads maintenance, housing and town planning services. KPA 2 focuses on those indicators seeking to ensure that conducive conditions are created for broader economic growth and ultimately to boost the district economy. Typically these indicators would focus on amongst other, issues such as tourism promotion and development, forestry programmes, heritage development, the Expanded Public Works Programme (EPWP), and agriculture. KPA 3 focuses mainly on the support services internally. These would speak chiefly to matters of human resource provisioning and development, employee wellness, information communication technologies, fleet management services and legal services.

KPA 4 focuses on the internal financial management processes. As such, this would focus on matters relating to budget development, supply chain management issues, asset management as well as income and expenditure management. Lastly KPA 5 focuses on the good governance matters such as public participation, performance management, the effectiveness of oversight structures, internal audit matters, risk management and communications.

Following hereon bellow, therefore, is the complete 2012/2013 SDBIP which formed part of the annual performance report that municipalities ought to develop in terms of Section 46 of the MSA. This is the report that was audited by the Auditor General and indeed formed the basis of the audit conclusion.
### KPA 1: Basic Service Delivery and Infrastructure Development

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<tbody>
<tr>
<td>To provide quality municipal health and environmental services</td>
<td>40</td>
<td>Drinking water and waste water quality monitoring</td>
<td>No of drinking water samples taken for blue drop compliance 2400 samples</td>
<td>2400 samples</td>
<td>Target met</td>
<td>None</td>
</tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>No of waste water samples taken for green drop compliance 144 samples</td>
<td>144 samples</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>To provide quality municipal health and environmental services</td>
<td>41</td>
<td>Food quality control</td>
<td>Number of premises inspected for compliance 2948 Premises</td>
<td>2948 Premises</td>
<td>Target met</td>
<td>None</td>
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<td></td>
<td></td>
<td></td>
<td>Number of food samples taken 600 food samples</td>
<td>600 food samples</td>
<td>Target met</td>
<td>None</td>
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<td>Projected</td>
<td>Actual</td>
<td></td>
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<tr>
<td>To develop and promote Tourism within the district</td>
<td>42</td>
<td>Implementation of the Tourism Master Plan</td>
<td>% Progress on Sabalele Multi-Purpose Centre</td>
<td>Multi-purpose centre</td>
<td>a) 4 accommodation rondavels is completed b) DSRAC has started to prepare the procurement of other equipment for the museum. All staff required is on site c) The contractor for the construction of the Early Childhood Development Centre has been appointed by NDA together with the Intsika Yethu Municipality</td>
<td>None</td>
</tr>
<tr>
<td>To ensure facilitation and coordination of Housing development within CHDM</td>
<td>43</td>
<td>Implementation of SLA between CHDM &amp; Dept of Human Settlements</td>
<td>Development &amp; Implementation of Emergency Disaster Housing Framework</td>
<td>Implementation of Disaster Housing Framework</td>
<td>Framework has been developed but not yet adopted by the council.</td>
<td>delays on comments by external stakeholders</td>
</tr>
</tbody>
</table>

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<td>Projected</td>
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<td>Projected</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td>Reduction of backlog by providing basic water infrastructure to households</td>
<td>No of households with access to basic sanitation</td>
<td>25109</td>
<td>28803</td>
<td>The challenge is funding limited funding which is hampering the backlog being implemented at required rate. Mackaysnek 2B is now due for completion in 1st quarter of new financial year.</td>
<td>Bridging finance approved but limited, to cover commitments</td>
<td></td>
</tr>
<tr>
<td>Lobbying for necessary resources to eradicate the backlog</td>
<td>Securing additional funding for capital programme implementation</td>
<td>Additional funding secured</td>
<td>Target achieved 4 meetings held</td>
<td>No positive feedback regarding meetings</td>
<td>Senior officials and Councillors need to further engage at higher level</td>
<td></td>
</tr>
<tr>
<td>To provide well maintained and accessible roads</td>
<td>No of km bladed</td>
<td>2148km of roads bladed</td>
<td>1006.69 Km</td>
<td>Yellow Machines not sufficient and very old. Have to hire more machines to be more effective. Accessive leave for key Roving Roads Staff accumulated from the overtime issue could lead to major problems on the 3 year SLA programme.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No of km gravelled</td>
<td>30km of roads gravelled</td>
<td>10.76 Km</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
<td>2012 – 2013 Financial Year</td>
<td>Corrective Action</td>
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<td>Projected</td>
<td>Actual</td>
<td>Reason for variance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Explore &amp; implement the viability of combining all existing roads units within the district</td>
<td>Report with recommendations</td>
<td>Recommendations on the viability of having a combined roads unit</td>
<td>Target not met</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Effective management and maintenance of municipal assets</td>
<td>46</td>
<td>To maintain municipal buildings</td>
<td>Number of buildings maintained</td>
<td>3 buildings maintained</td>
<td>Target not met</td>
<td>None</td>
</tr>
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<td></td>
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<td></td>
<td>None</td>
<td>None</td>
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</table>
### KPA 2: Local Economic Development

<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure establishment of Development Agency</td>
<td>47</td>
<td>Monitoring of functionality and sustainability of Development Agency</td>
<td>No of reports submitted to Council</td>
<td>Development Agency that is Operational</td>
<td>No report by the Development Agency</td>
<td></td>
</tr>
<tr>
<td>To promote Urban/Rural renewal to attract investors for Economic Development</td>
<td>48</td>
<td>Developing strategies to revitalise small towns within the District</td>
<td>No of Small Town Revitalisation Strategies developed</td>
<td>Adopted Integrated Feasibility Study</td>
<td>Feasibility study has been conducted. The consultant is busy compiling the draft document.</td>
<td>There were delays on data collection from the LM. CHDM has to provide required information to the service provider on behalf of the LM</td>
</tr>
<tr>
<td>To prioritise Forestry as Sector that contributes to reduction of unemployment and economic development</td>
<td>49</td>
<td>Continuous support to the Tree Nursery Project</td>
<td>Number of Nursery Projects supported</td>
<td>Sustainable Tree Nursery business</td>
<td>488 trays of pine seedlings are on site most of them have suffered mortality due to dry weather and lack of water supply. Few indigenous species and fruit trees.</td>
<td>None</td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Continuous to existing Charcoal programmes</td>
<td>No of Charcoal projects supported</td>
<td>Projected: Sustainable two charcoal business</td>
<td>Actual: Wood and tons of charcoal are on sale mostly on local market.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Implementation of Tourism Integrated plan</td>
<td>No of Tourism Initiatives supported</td>
<td>Projected: 4 Initiatives</td>
<td>Actual: 3 initiatives done – Culture Site Guide Training, Local product owners trained on hospitality, Tour guides registered with ECPTA</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No of Tourism Structures supported</td>
<td>5 functional LTO’S / DTO</td>
<td>Projected: 4 LTOs supported. Action plan for turn-around of CHARTO</td>
<td>Actual: There are only 2 LM’s that have not finalized the establishment of their LTO’s Sakhisizwe and Tsolwane. New ToR for CHARTO are currently being formulated, once completed a new board that will craft the marketing strategy will be appointed</td>
<td>Lack of participation of local municipalities in the District Tourism Forum where tourism related projects and programmes are discussed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No of Trade/exhibition shows participated</td>
<td>4 Exhibitions</td>
<td>Projected: 3 events attended – JHB Getaway Show, Beeld Holiday Show, and Tourism indaba attended</td>
<td>Actual: 3 events attended – JHB Getaway Show, Beeld Holiday Show, and Tourism indaba attended</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No of Events Hosted</td>
<td>2 EVENTS</td>
<td>Projected: 2 events were hosted (Tourism month events and Flea Market events hosted by DESREC) as well as participated in the organising of the Chris Hani Month Celebrations</td>
<td>Actual: 2 events were hosted</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
<td>Year under review (2012/13)</td>
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<td></td>
<td>Projected</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td>To create an enabling environment for sustainable business development</td>
<td>51</td>
<td>Facilitate, Support and Develop enterprise within the district</td>
<td>No of training sessions and Mentorship programmes conducted for Cooperatives</td>
<td>4 Trainings</td>
<td>3 training for cooperatives facilitated.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of training sessions and Mentorship programmes conducted for SMME’s</td>
<td>4 Trainings</td>
<td>3 trainings were conducted</td>
<td>None</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>No of reports submitted</td>
<td>4 Reports submitted to Council</td>
<td>2 reports submitted. Indication of the transfer of funds to CDC and ring-fencing of funds for projects</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>number of businesses benefitting from</td>
<td>10 SMME’s supported</td>
<td>13 SMMEs supported</td>
<td>None</td>
</tr>
<tr>
<td>SMME Support</td>
<td></td>
<td>Cooperative Support</td>
<td>No of SMME’s supported</td>
<td>4 SMME’s supported</td>
<td>20 Youth Mobile Enterprises supported (20 Honda Motorcycles delivered)</td>
<td>None</td>
</tr>
<tr>
<td>To ensure preservation of Heritage Resources within the district</td>
<td>52</td>
<td>preservation, Registration, Maintenance and Marketing of historical and cultural</td>
<td>No of Heritage initiatives supported and developed</td>
<td>3 initiatives (Chris Hani Liberation Heritage)</td>
<td>4 initiatives undertaken (Engcobo heroes park, identification of sites, Heritage Day celebrations and erection of Chris Hani statue at Sabalele)</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
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<td>Year under review (2012/13)</td>
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<td>Projected</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>functional and sustainable multi-purpose centre (Sabalele)</td>
<td>Centre functional (funds for operational budget transferred, appointment of centre manager done and partnership with NDA secured)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Report on upgraded Cementry</td>
<td>Transfers have been made to LMs</td>
<td>Internal administrative delays within LMs</td>
<td>Intervention has been made by the district through Town Planners forum which set concurrently with the paving projects.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of events hosted</td>
<td>2 events</td>
<td>Chris Hani month events hosted (main event and the Chris Hani Marathon)</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of jobs created</td>
<td>500000</td>
<td>1224 FTE</td>
<td>The monthly report for FTE for period April to June 2013 will only be received from the department of public works by the 20th July 2013. With funding constraints experienced the sanitation backlog project has slowed down which will impact on FTE achievements going forward.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of interns engaged</td>
<td>500000</td>
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</tbody>
</table>

**“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”**
## CONSOLIDATED ANNUAL REPORT

<table>
<thead>
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<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
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<td></td>
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<td></td>
<td>Projected</td>
<td>Actual</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>No of completion certificates issued</td>
<td>23 contractors developed</td>
<td>1 target not met in terms of 23 completed contracts</td>
<td>Projects commenced late and some contractors that have performed have been given additional toilets from savings and contingencies. The Msande contractor has resigned from the program.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Livestock infrastructure developed in 6 LMS</td>
<td>The Gqaga and Goboti sharing sheds have been completed</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Functional Abattior (Cala)</td>
<td>The project has been completed</td>
<td>None</td>
<td>None</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>No of Dairy projects supported</td>
<td>Value adding structure completed</td>
<td>The Construction of the processing structure complete and the project is functional and monitoring is ongoing</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 Schemes</td>
<td>Monies have been transferred to the following schemes: Shiloh Irrigation Scheme; Bilatye; Qamata Section 6; Mc Bride Mitrock and Ncorha. Reports on operations recieved</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sorghum Production</td>
<td>Funds transferred to Emalahleni Local Municipality for planting of sorghum</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

**IDP Objective:** To increase contribution to the District economy

**Objective Code:**

**Strategy:** Contractor development

**Indicator of Performance:** No. of completion certificates issued

**Year under review (2012/13):**
- Projected: 23 contractors developed
- Actual: 1 target not met in terms of 23 completed contracts

**Reason for variance:** Projects commenced late and some contractors that have performed have been given additional toilets from savings and contingencies. The Msande contractor has resigned from the program.

**Corrective Action:** PSP and area managers to finalise practical completion handovers.

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“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
### KPA3: Municipal Transformation and Organisational Development

<table>
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<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
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</thead>
<tbody>
<tr>
<td>To develop, maintain, review and ensure effective implementation of policies and HR systems</td>
<td>10</td>
<td>Analyse, research and consult on policies with all relevant stakeholders</td>
<td>No of policies developed, adopted and implemented</td>
<td>Projected: Developed, reviewed, and effective implementation of policies</td>
<td>Policies adopted on 25 June 2013</td>
<td>None</td>
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</tbody>
</table>

**Table 1:**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Projected: Production of crops undertaken Intsika Yethu and Ncedisizwe and harvesting is in progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>None</td>
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<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
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<td>-------------------------------------------------------------------------------</td>
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<tr>
<td>Improve internal control through HR System</td>
<td>11</td>
<td>Improve internal control through HR System</td>
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<td></td>
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<tr>
<td>To Develop and empower workforce to enhance their skills and competencies so as to render services effectively</td>
<td></td>
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<tr>
<td>12</td>
<td></td>
<td>Align human capital to the strategic objectives</td>
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<td>Align human capital to the strategic objectives</td>
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<tr>
<td>Align human capital to the strategic objectives</td>
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<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
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<tr>
<td>Profile and evaluate all approved positions</td>
<td></td>
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<tr>
<td>Conduct an organizational work study</td>
<td></td>
<td></td>
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<tr>
<td>To ensure compliance with Employment Equity Act</td>
<td>13</td>
<td>Implement Employment Equity Plan</td>
</tr>
<tr>
<td>To develop and implement an institution wide employee wellness</td>
<td>14</td>
<td>To develop, review and implement an integrated wellness</td>
</tr>
<tr>
<td>To develop and implement therapeutic and counselling services</td>
<td>15</td>
<td>Implement therapeutic and counselling services</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
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<tr>
<td></td>
<td></td>
<td>Implement educational and awareness programme</td>
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<td>Implement organizational wellness programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop and implement integrated substance abuse strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implement systems processes and procedures</td>
</tr>
</tbody>
</table>

**“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”**

To ensure a healthy and safe working environment for councillors 16

To ensure a healthy and safe working environment for councillors 17

To provide integrated security system that will ensure safety of 18
<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of server room</td>
<td>Projected: Server room cleaned up and 80% of server room requirements met</td>
<td>Actual: Target me</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>requirements met</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Review and approved ICT</td>
<td>Projected: ICT systems usage policy reviewed, approved and implemented</td>
<td>Actual: ICT Policy approved by Council</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>usage policy;</td>
<td></td>
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<tr>
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<td></td>
<td>% management of 3G</td>
<td>Projected: 80% management of 3G cards usage</td>
<td>Actual: All members of management have a 3G card</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>cards usage</td>
<td></td>
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<td></td>
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<td></td>
<td>Develop a disaster</td>
<td>Projected: Developed and approved DRP (Disaster Recovery Plan)</td>
<td>Actual: DRP has been developed and approved</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>recovery plan</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Comprehensive security</td>
<td>Projected: 30% of the comprehensive security system in place</td>
<td>Actual: Target met</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>developed and implemented</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>number of buildings</td>
<td>Projected: 3 buildings maintained</td>
<td>Actual: 3 buildings maintained</td>
<td>Corrective Action: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>maintained</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
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</tr>
<tr>
<td>Development of Fleet Management and maintenance</td>
<td></td>
<td>Approved policy and monitoring report</td>
<td>Approved policy and monitor implementation</td>
<td>Policy approved</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>To provide an effective and efficient Council support service to all Councillors, Council and standing committees</td>
<td>20</td>
<td>No of support provided</td>
<td>All council committees supported</td>
<td>All Council committees have been supported</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>To develop a document management system for the municipality</td>
<td>21</td>
<td>Automate and centralised document management</td>
<td>Policy on archiving reviewed and implemented</td>
<td>Automated document management system in place</td>
<td>Target not met</td>
<td>None</td>
</tr>
<tr>
<td>To develop a policy on archiving in line with relevant legislation</td>
<td>22</td>
<td>Policy on archiving reviewed and implemented</td>
<td>Policy reviewed and implemented</td>
<td>Target not met</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Embark on a Municipal Viability Study on Water Services</td>
<td>23</td>
<td>Completed Study Report</td>
<td>First Draft Report</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Ensure development and co-ordination of infrastructure plans</td>
<td>24</td>
<td>Adopted Water Resource Master Plans</td>
<td>Water Resource Master Plan</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
<td>Year under review (2012/13)</td>
<td>Reason for variance</td>
<td>Corrective Action</td>
</tr>
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<td>---------------</td>
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<td></td>
<td>Projected</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adopted WSDP</td>
<td>Reviewed and adopted WSDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Draft Refurbishment Plan</td>
<td>First order draft report</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adopted ITP</td>
<td>ITP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To ensure a fair, equitable, transparent, competitive and cost effective procurement</td>
<td>25</td>
<td>By reviewing SCM policy</td>
<td>An adopted reviewed SCM policy</td>
<td>Adopted SCM Policy</td>
<td>SCM policy adopted</td>
<td>None</td>
</tr>
<tr>
<td>To ensure that all assets are adequately managed and maintained</td>
<td>26</td>
<td>To have a reviewed Asset Management Policy</td>
<td>An adopted reviewed Asset Management Policy</td>
<td>Adopted Asset Policy</td>
<td>Asset management policy adopted</td>
<td>None</td>
</tr>
<tr>
<td>To ensure that all Revenue &amp; expenditure managed appropriately</td>
<td>27</td>
<td>Revised Debt collection &amp; credit control policy</td>
<td>An adopted reviewed Debt collection &amp; credit control policy</td>
<td>An adopted reviewed Debt collection &amp; credit control policy</td>
<td>Debt collection and credit control policy</td>
<td>None</td>
</tr>
<tr>
<td>Revise tariff policy</td>
<td>28</td>
<td>An adopted revised Tariff policy</td>
<td>An adopted Revised Tariff policy</td>
<td>Target not met</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
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<td>-------------------</td>
</tr>
<tr>
<td>To ensure that budget related matters are guided and managed properly</td>
<td>29</td>
<td>Develop, adopt and implement budget policy</td>
<td>An adopted revised budget policy</td>
<td>An adopted revised budget policy</td>
<td>Target not met</td>
<td>Pending All Budget related policies conclusion of this policy is subject to other related policies being completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A developed and adopted virement policy</td>
<td>A developed &amp; adopted virement policy</td>
<td>No information</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reviewed and adopted policy</td>
<td>An adopted Revised write off and bad debt policy</td>
<td>Target not met</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>To ensure that all fruitless, wasteful, irregular and unauthorised expenses are identified, monitored and disposed of</td>
<td>30</td>
<td>Develop a fruitless, wasteful, irregular and unauthorised Expenditure Policy</td>
<td>Adopted Fruitless, Wasteful, irregular and unauthorised Expenditure Policy</td>
<td>An adopted fruitless, wasteful, irregular and unauthorised expenditure policy</td>
<td>Target not met</td>
<td>PWC has been appointed to assist in the development of the policy, and the draft policy will be work-shopped in the 3rd quarter</td>
</tr>
<tr>
<td>To ensure proper data and information security for Business Continuity</td>
<td>31</td>
<td>Develop &amp; Implement systems related policies</td>
<td>An adopted Policy</td>
<td>A developed &amp; Implemented Policies</td>
<td>Policy developed and adopted</td>
<td>None</td>
</tr>
</tbody>
</table>

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<th>Actual</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote economic development in the district</td>
<td>32</td>
<td>Development of 5yr Integrated Development Plan</td>
<td>Adopted 5 yr Integrated Development Plan</td>
<td>2012/17 (5yr IDP)</td>
<td>2012/17</td>
<td>2013-14 IDP Review adopted by Council</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review of Chris Hani Regional Economic Development Plan</td>
<td>Adopted CHREDS</td>
<td>Service provider has been</td>
<td>None</td>
<td>None</td>
<td>Delays due to the process of the appointment of the service provider.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review of Chris Hani Regional Economic Development Plan</td>
<td>Adopted CHREDS</td>
<td>appointed, inception meeting</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review of Chris Hani Regional Economic Development Plan</td>
<td>Adopted CHREDS</td>
<td>has been held</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To promote enabling environment on business operations to thrive</td>
<td>33</td>
<td>Development of Cooperative Strategy</td>
<td>Adopted Co-op Strategy</td>
<td>The draft cooperatives</td>
<td>None</td>
<td>None</td>
<td>Cooperative Strategy of the province has not yet been adopted for CHDM to</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Cooperative Strategy</td>
<td>Adopted Co-op Strategy</td>
<td>strategy is ready but still</td>
<td>None</td>
<td>None</td>
<td>align to that of the province when it has been adopted.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Cooperative Strategy</td>
<td>Adopted Co-op Strategy</td>
<td>waiting to align it with that</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Cooperative Strategy</td>
<td>Adopted Co-op Strategy</td>
<td>of the province when it has</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Cooperative Strategy</td>
<td>Adopted Co-op Strategy</td>
<td>been adopted.</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To promote enabling environment on business operations to thrive</td>
<td>33</td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>Waiting for the provincial</td>
<td>None</td>
<td>None</td>
<td>SMME Strategy of the province has not yet been adopted for CHDM to</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>strategy to be adopted by</td>
<td>None</td>
<td>None</td>
<td>align to that one.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>the province (currently with</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>the prov. cabinet) so as to</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>align it with that one.</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of Integrated Agricultural Plan</td>
<td>Adopted Integrated Agricultural Plan</td>
<td>The draft plan is in place</td>
<td>None</td>
<td>None</td>
<td>Still waiting for the comments from sector departments.</td>
<td>Date for the meeting with sector departments has been set for second week of August.</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>To ensure coherent strategic planning and development in the District</td>
<td>34</td>
<td>Rv</td>
<td>District</td>
<td>Adopted SDF</td>
<td>Adopted SDF</td>
<td>SDF Developed</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To manage implementation of integrated HIV and AIDS, STI’s and TB programmes</td>
<td>35</td>
<td>D wspdHIV</td>
<td>District</td>
<td>Progress towards reviewal of HIV&amp;AIDS strategic plan</td>
<td>Adopted HIV and AIDS, STI’s and TB Strategic plan and implementation of programmes (100%)</td>
<td>Strategy adopted by Council and implementation reports submitted</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To manage implementation of integrated HIV and AIDS, STI’s and TB programmes</td>
<td>35</td>
<td>D wspdHIV</td>
<td>District</td>
<td>Progress towards reviewal of HIV and AIDS, STI’s and TB Strategic plan 2012-2017 (Workplace)</td>
<td>Adopted HIV, STI’s and TB Strategic plan 2012-2017 (Workplace: 100%)</td>
<td>Strategy reviewed and workshop held</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To manage implementation of integrated HIV and AIDS, STI’s and TB programmes</td>
<td>35</td>
<td>D wspdHIV</td>
<td>District</td>
<td>Progress towards the development of HIV&amp;AIDS Mainstreaming Policy</td>
<td>Adopted HIV and AIDS Mainstreaming Policy and implementation of mainstreaming programmes.</td>
<td>Target not met</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To manage implementation of integrated HIV and AIDS, STI’s and TB programmes</td>
<td>35</td>
<td>D wspdHIV</td>
<td>District</td>
<td>Number of training programmes on HIV/AIDS and STI’s and TB conducted</td>
<td>3 Training programmes conducted</td>
<td>3 training programmes conducted</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

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<table>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of training programmes on HIV/AIDS and STI’s and TB Conducted (workplace)</td>
<td>Projected: 2</td>
<td>Actual: 2 training programmes conducted (workplace committee members and peer educators)</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of baseline surveys conducted</td>
<td>Projected: Repeat HIV prevalence survey conducted. HIV prevalence reduced by 1% of the sampled population</td>
<td>Actual: Target met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of quarterly DAC meetings held; Number of LACs supported.</td>
<td>Projected: 4 Quarterly DAC meetings held; 8 LACs supported</td>
<td>Actual: Target met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No. of HIV and AIDS workplace committee meetings held</td>
<td>Projected: 4 x HIV and AIDS Workplace committee quarterly meetings held</td>
<td>Actual: Target met (1 meeting per quarter held)</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Progress towards review of the disaster management plan</td>
<td>Projected: Conduct Scientific Risk Assessment (40%) and implementation of disaster management programmes</td>
<td>Actual: Target met</td>
<td>None</td>
</tr>
</tbody>
</table>

To prevent, mitigate and respond to the effects of disasters and facilitate post-disaster recovery

IDP Objective 37: Develop and implement district wide disaster management plan
<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
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<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Projected</td>
<td>Actual</td>
<td>Reason for variance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provide quality municipal health and environmental services</td>
<td>38</td>
<td>Facilitate education and training of disaster management</td>
<td>No. of training programmes on disaster management conducted</td>
<td>Capacitate councillors' managers and community members, including vulnerable groups</td>
<td>3 training programmes conducted</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provide quality municipal health and environmental services</td>
<td>39</td>
<td>Strengthen capacity of the District Health Council</td>
<td>Number of meetings and workshops conducted</td>
<td>4 meetings held (target met)</td>
<td>None</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To provide quality municipal health and environmental services</td>
<td></td>
<td>Develop AND implement district wide Climate change adaptation strategy and programmes</td>
<td>Progress towards development and implementation of climate change strategy and programmes</td>
<td>Target not met</td>
<td>None</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
## KPA 4: Financial Viability and Management

<table>
<thead>
<tr>
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<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56</td>
<td></td>
<td>Number of reports to indicate % of expenditure (opex &amp; payroll) on budget</td>
<td>12 monthly reports</td>
<td>12 monthly reports submitted</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of reports to indicate % of expenditure (capex &amp; programmes) on budget</td>
<td>12 monthly reports</td>
<td>12 monthly reports submitted</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>57</td>
<td></td>
<td>No of reconciled creditors</td>
<td>Effective implementation of the module and creditors reports</td>
<td>None</td>
<td>PWC is appointed to assist in the process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Report on VAT Review</td>
<td>Vat claimed in accordance with VAT legislation</td>
<td>Target not met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of new Tariff Charges identified</td>
<td>Adopted and Approved Tariff List</td>
<td>Target not met</td>
<td>None</td>
</tr>
</tbody>
</table>

**To ensure proper expenditure management in terms of approved budget and in line with Dora and National Treasury guidelines**

**IDP Objective Code:** 56

**Strategy:** Develop and maintain an effective expenditure processing system

**Indicator of Performance:** Number of reports to indicate % of expenditure (opex & payroll) on budget

**Year under review (2012/13):** 12 monthly reports

**Actual:** 12 monthly reports submitted

**Reason for variance:** None

**Corrective Action:** None

**To ensure proper revenue management in terms of approved budget and in line with Dora and National Treasury guidelines**

**IDP Objective Code:** 57

**Strategy:** Review the application of accounting for VAT

**Indicator of Performance:** Number of new Tariff Charges identified

**Year under review (2012/13):** Adopted and Approved Tariff List

**Actual:** Target not met

**Reason for variance:** None

**Corrective Action:** PWC to assist in the development of the policy

**Notes:**
- PWC is appointed to assist in the process of implementing the module and creditors reports.
- The project was challenged due to timeframes, therefore had to re-tender.

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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>% Increase in Debt Collection (4%)</td>
<td>Projected: Annual Debt collection reports</td>
<td>Actual: Annual debt collection reports generated</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of reconciled debtors</td>
<td>Projected: Effective implementation of the module and debtors reports</td>
<td>Actual: Debtors module and debtors reports effectively implemented</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Monthly reports on Income</td>
<td>Projected: Annual report</td>
<td>Actual: Annual report on income developed</td>
<td>None</td>
</tr>
<tr>
<td>&quot;To ensure reliable timely Financial Information which is easily accessible&quot;</td>
<td>58</td>
<td>Updating and maintaining of GRAP compliant Chart of Accounts aligned to CHDM reporting structure</td>
<td>A GRAP complaint accounts structure working on the financial accounting system</td>
<td>Projected: Updated Functional System</td>
<td>Actual: Updated functional system in place</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of trainings held per year</td>
<td>Projected: Three trainings</td>
<td>Actual: 3 meetings held</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>59</td>
<td>Ensure training on new system updates</td>
<td>% of time whereby systems were available</td>
<td>Projected: 100% target with no more than 5% variance</td>
<td>Actual: Target not met</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
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<td>-------------------</td>
</tr>
<tr>
<td>To ensure automation of business processes</td>
<td>60</td>
<td>Ensure automation of business processes</td>
<td>Number of automated processes</td>
<td>80% targets</td>
<td>Target not met</td>
<td>The automated process is done, but the change in treasury template delayed the process as the caseware template is updated by CQS</td>
</tr>
<tr>
<td></td>
<td>61</td>
<td>Ensure proper security of the finance environment</td>
<td>Effectiveness of the Access Control System</td>
<td>Effective Access Control System</td>
<td>The access control system is being implemented</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>Integration and improvement of systems</td>
<td>Integrated dashboard and business intelligence</td>
<td>Appointment of Service Provider, Workstudy and commencement of implementation of the outcome</td>
<td>Target not met</td>
<td>Changes that are made by Business Connection which will affect the implementation of the datawarehouse are delaying the process</td>
</tr>
<tr>
<td></td>
<td>63</td>
<td>Disaster Recovery Plan and business continuity</td>
<td>A fully mirrored environment</td>
<td>full implementation of back-up mirror server</td>
<td>A full back-up mirror server is in place</td>
<td>None</td>
</tr>
<tr>
<td>To maintain a complete and accurate Fixed Asset Register</td>
<td>64</td>
<td>Updating &amp; maintaining of GRAP Compliant Fixed Asset Register</td>
<td>Completed GRAP compliant register and asset count conducted</td>
<td>Completed GRAP compliant register and asset count conducted</td>
<td>Target not met</td>
<td>Asset Register is fully updated and is GRAP compliant, but the software is not yet procured</td>
</tr>
<tr>
<td>To ensure timeous submission of accurate AFS &amp; related reports</td>
<td>65</td>
<td>Develop and Monitor Year End action Plan</td>
<td>Year End action Plan implemented</td>
<td>fully implemented Year End Action Plan</td>
<td>Target not met</td>
<td>The audit action plan was not fully implemented, due to delays in the appointment of the service provider who assisted in some areas</td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Compilation and submission of accurate AFS</td>
<td>Submission of accurate and GRAP compliant AFS by 31 August to AG (NT and to council)</td>
<td>Submitted AFS</td>
<td>AFS compiled</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compilation and submission of in-Year reports</td>
<td>Number of in-Year reports submitted internally and externally</td>
<td>Automated reports</td>
<td>Target not met</td>
<td>The system is in place for the quarterly AFS, but was delayed by the audit process to obtain opening balances</td>
</tr>
<tr>
<td></td>
<td>66</td>
<td>Table a budget for council approval</td>
<td>A council approved budget</td>
<td>Adopted 2013/14 Budget</td>
<td>Budget approved</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monitor, Advise &amp; Report on Budget Implementation</td>
<td>Number of monthly reports to stakeholders</td>
<td>Report on Opex &amp; Capex</td>
<td>Target not met</td>
<td>The absence of the manager is delaying the process of the reports being reviewed by IA unit</td>
</tr>
<tr>
<td></td>
<td>67</td>
<td>Maintenance of effective Data base to ensure equity and transparency</td>
<td>Revised / Updated database</td>
<td>Annual Revised Database</td>
<td>Target not met</td>
<td>The training of service providers will be done in the third &amp; fourth quarter and the cleansing of the database will be possible in the fourth quarter</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Projected</td>
<td>Actual</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payment of Service providers as per SCM policy</td>
<td>% decrease on ageing of creditors</td>
<td>Payment of creditors within 30 days</td>
<td>Target not met</td>
<td>The central receiving of invoices, and noncompliance with SCM policy is still having negative impact on turnaround time on payment of suppliers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Effective Inventory Management System</td>
<td>Implementation of central stores and effective inventory management system</td>
<td>Target not met</td>
<td>Quarterly stock count report is done, but the central stores is not yet procured due to amount available</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Number of bid awards &amp; decrease in outstanding bids</td>
<td>Annual Report on awards and effectiveness of bid committees</td>
<td>Target not met</td>
<td>A report on awards for the year as well as the effectiveness of the bid committee has been compiled</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% decrease of deviations</td>
<td>% Decrease in deviations to an acceptable minimal</td>
<td>Target not met</td>
<td>A report on deviations has been developed (target met)</td>
</tr>
<tr>
<td></td>
<td>68</td>
<td>Development and monitoring of Demand Management Plan</td>
<td>A developed demand management plan</td>
<td>DMP for 2012/13</td>
<td>Target not met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>69</td>
<td>Implement revenue enhancement strategy</td>
<td>Each WSP to increase revenue collection by 10%</td>
<td>Increase revenue collection by 10%</td>
<td>Target not met</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
<td>Year under review (2012/13)</td>
<td>Reason for variance</td>
<td>Corrective Action</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>---------------------------</td>
<td>-------------------------------------------------</td>
<td>----------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>To ensure sound and sustainable management of financial affairs of the district in line with national and provincial norms and standards</td>
<td>70</td>
<td>To maximise expenditure of all funds</td>
<td>% of MIG funding spent</td>
<td>Projected 100% expenditure</td>
<td>target met and exceeded</td>
<td>Project funding shortfall impacting on implementation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of WSPs allocation spent</td>
<td>Actual 97% of allocation made</td>
<td>None</td>
<td>Council approved Bridging finance till end June 2013.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of RBIG spent</td>
<td>Projected 100% expenditure</td>
<td>Target achieved</td>
<td>Counter funding of RBIG projects total 300 plus million required. SCM process delaying the finalizing of evaluation and award which is impacting on planned expenditure trends.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of Water Services Operating grant spent</td>
<td>Actual 66% of grant spent</td>
<td>None</td>
<td>Application to ORIO for Xonxa to be done in 2013. Counter funding required has been reported to council for council to take a decision on. Delays in procurement has been taken up with Director.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of Rural Road Management grant spent</td>
<td>Projected 100% expenditure</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of ACIP funding spent</td>
<td>Actual 100% of grant spent</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of Roads budget spent</td>
<td>Projected 100% expenditure</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
## KPA 5: Good Governance and Public Participation

<table>
<thead>
<tr>
<th>IDP Objective</th>
<th>Objective Code</th>
<th>Strategy</th>
<th>Indicator of Performance</th>
<th>Year under review (2012/13)</th>
<th>Reason for variance</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve co-ordination between CHDM and other stakeholders</td>
<td>71</td>
<td>Coordinate sitting of Forums</td>
<td>No of IDP Rep Forums held</td>
<td>Projected: 4 Forums per year, Actual: 3 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Housing Forums held</td>
<td>Projected: 4 Forums per year, Actual: 3 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Town Planners Forums held</td>
<td>Projected: 4 Forums per year, Actual: 3 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Tourism Forums held</td>
<td>Projected: 4 Forums per year, Actual: 2 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Business Forums held</td>
<td>Projected: 4 Forums per year, Actual: 3 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Cooperative forums held</td>
<td>Projected: 4 Forums per year, Actual: 2 forums held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of Agric Forum held</td>
<td>Projected: 4 Forums per year, Actual: 4 forums held</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
### IDP Objective

**Objective Code**: 72

**Strategy**: Conduct Community Awareness Programs on Disaster Management

**Indicator of Performance**: Number of community awareness programmes conducted

**Year under review (2012/13)**

<table>
<thead>
<tr>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct awareness programmes</td>
<td>Target met</td>
</tr>
</tbody>
</table>

**Reason for variance**: None

**Corrective Action**: None

---

**Strategy**: Develop and implement Disaster Management Information and Communication System

**Indicator of Performance**: Progress towards the development of information and communication system

**Year under review (2012/13)**

<table>
<thead>
<tr>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equip disaster management centres with information and communications system (20%)</td>
<td>Target met</td>
</tr>
</tbody>
</table>

**Reason for variance**: None

**Corrective Action**: None

---

**Strategy**: Strengthen capacity of Disaster Management Advisory Forum

**Indicator of Performance**: Number of meetings conducted

**Year under review (2012/13)**

<table>
<thead>
<tr>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 quarterly meetings conducted</td>
<td>4 meetings held</td>
</tr>
</tbody>
</table>

**Reason for variance**: None

**Corrective Action**: None

---

**Strategy**: Support Local Municipalities on waste management programmes

**Indicator of Performance**: No of Local Municipalities supported (financially / technically) towards waste reduction

**Year under review (2012/13)**

<table>
<thead>
<tr>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste management programmes</td>
<td>Target met</td>
</tr>
</tbody>
</table>

**Reason for variance**: None

**Corrective Action**: None

---

**Strategy**: Strengthen capacity of the District Health Council

**Indicator of Performance**: Number of meetings and workshops conducted

**Year under review (2012/13)**

<table>
<thead>
<tr>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 quarterly meetings conducted</td>
<td>4 meetings held</td>
</tr>
</tbody>
</table>

**Reason for variance**: None

**Corrective Action**: None
<table>
<thead>
<tr>
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<th>Objective Code</th>
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<th>Year under review (2012/13)</th>
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<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>To manage implementation of integrated HIV and AIDS programmes</td>
<td>76</td>
<td>Strengthen functionality of DAC, LAC’s, WAC’s and workplace committees</td>
<td>Number of Quarterly meetings held. Number of LACs supported.</td>
<td>4X District Aids council meetings held</td>
<td>4 meetings held</td>
<td>None</td>
</tr>
<tr>
<td>To encourage an institutional culture of quality performance</td>
<td>77</td>
<td>Development of an employee performance management framework</td>
<td>Employee PM Framework developed and cascaded</td>
<td>Performance management cascaded to managers below section 56.</td>
<td>Target not met</td>
<td>Council is still to take a decision on the process to be followed in cascading PMS to lower levels To fast-track this process in the next financial year</td>
</tr>
<tr>
<td>To promote and maintain labour stability within the workplace</td>
<td>78</td>
<td>Compliance with collective agreement and conditions of service and Employee PM Framework</td>
<td>Functioning LLF</td>
<td>6 LLF meetings held</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>To provide technical support to local municipalities on IT, Human Resources and EAP programmes</td>
<td>79</td>
<td>Technical support on ICT, HR &amp; EAP</td>
<td>No of municipalities supported</td>
<td>6 municipalities supported</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>To ensure effective ICT governance</td>
<td>80</td>
<td>No of ICT Steering committee meetings held</td>
<td>4 ICT Steering committee meetings</td>
<td>4 ICT Steering Committee meetings held</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
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<td>Strategy</td>
<td>Indicator of Performance</td>
<td>Year under review (2012/13)</td>
<td>Reason for variance</td>
<td>Corrective Action</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------</td>
<td>----------</td>
<td>--------------------------</td>
<td>-----------------------------</td>
<td>---------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>To improve co-ordination between CHDM and other stakeholders</td>
<td>81</td>
<td>Develop an ICT Strategy</td>
<td>Phase one of Enterprise Architecture developed</td>
<td>Phase one of Enterprise Architecture developed</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No of WSA/WSP meetings held</td>
<td>10 meetings held</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No of Technical Managers Forums held</td>
<td>4 meetings held</td>
<td>Target met</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Attain Blue and Green Drop status</td>
<td>8 Blue Drops and 2 Green Drops obtained</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>To ensure compliance with applicable legislation, regulations, policies and procedures</td>
<td>83</td>
<td>Annual review of WSP Business Plans</td>
<td>Approved 13/14 WSP BPs and Budgets</td>
<td>Approved 13/14 WSP BPs and Budgets</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reduction of water losses in towns</td>
<td>Reduce water losses by 10%</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>IDP Objective</td>
<td>Objective Code</td>
<td>Strategy</td>
<td>Indicator of Performance</td>
<td>Year under review (2012/13)</td>
<td>Reason for variance</td>
<td>Corrective Action</td>
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<td>----------</td>
<td>--------------------------</td>
<td>-----------------------------</td>
<td>---------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>To enhance public participation within the district</td>
<td>84</td>
<td>Strengthen relations with communities to get buy-in for projects</td>
<td>No of Project Steering Committee meetings held</td>
<td>8 PSC meetings per project held</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>Community awareness campaigns</td>
<td>4 campaigns</td>
<td>4 community awareness campaigns held</td>
<td>Target met</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To achieve an Unqualified Audit Opinion by 2014</td>
<td>85</td>
<td>To develop &amp; implement an Audit action plan for 2011/12 audit findings</td>
<td>Adopted audit action plan &amp; Nr. of Audit findings resolved</td>
<td>completed and implemented Audit action plan</td>
<td>Audit action plan in place and implemented accordingly</td>
<td>None</td>
</tr>
<tr>
<td>Co-ordinating of audit process</td>
<td>Nr of audit request and findings received, communicated &amp; addressed at steering committee</td>
<td>A co-ordinated &amp; monitored audit process.</td>
<td>Target met</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>To ensure accountable and democratic governance by involving communities in the affairs of the district</td>
<td>86</td>
<td>Participate on Roadshows / workshops to community and suppliers</td>
<td>Budget Roadshows conducted in all LM's</td>
<td>Roadshows participated on.</td>
<td>Target met</td>
<td>None</td>
</tr>
<tr>
<td>Workshop on SCM policy and processes to suppliers</td>
<td>Number Workshops conducted</td>
<td>2 Workshops conducted</td>
<td>Target met</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>
## IDP Objective

**Objective Code**

### To improve coordination between CHDM and other stakeholders

- **Objective Code**: 87
- **Strategy**: Ensure functional CFO’s Forum
- **Indicator of Performance**: No of sittings of the CFO’s Forums
- **Year under review (2012/13)**: 4 CFO’s Forums
- **Projected**: 4
- **Actual**: 4
- **Reason for variance**: Target not met
- **Corrective Action**: None

### To ensure proper contract/agreement management

- **Objective Code**: 88
- **Strategy**: Maintaining updated Contract Register
- **Indicator of Performance**: Updated contracts register submitted
- **Year under review (2012/13)**: Updated Contract Register
- **Projected**: None
- **Actual**: None
- **Reason for variance**: Target not met
- **Corrective Action**: None

### To enhance intergovernmental relations within the district through effective and efficient IGR clusters

- **Objective Code**: 89
- **Strategy**: Automation of the contract management system
- **Indicator of Performance**: Automated process
- **Year under review (2012/13)**: Automated contract management system
- **Projected**: None
- **Actual**: None
- **Reason for variance**: Target not met
- **Corrective Action**: None

### Reason for variance

- **Enhance intergovernmental relations within the district through effective and efficient IGR clusters**: The resignation of the strategic manager left a vacuum within the municipality and has negatively affected the implementation of IGR programmes.
- **Corrective Action**: The process of appointing a strategic manager has been finalised and this person will carry out this function.
<table>
<thead>
<tr>
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<th>Year under review (2012/13)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Ensure a functional and institutional customer care services</td>
<td>90</td>
<td>Facilitate establishment of functional institutionalised customer care services</td>
<td>Existence of institutionalized customer care services</td>
<td>Expected: 100%</td>
<td>Target not met</td>
<td>The resignation of the strategic manager left a vacuum within the municipality and has negatively affected the implementation of this programme. However, it must be noted that various departments within the municipality have individual customer care programmes but these need to be coordinated.</td>
</tr>
<tr>
<td>To strengthen good governance</td>
<td>91</td>
<td>Ensure effectiveness of internal audit function</td>
<td>Adopted charter and full implementation of risk based plan</td>
<td>Projected: 100% Actual: 100%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Ensure effective and efficient CHDM oversight</td>
<td>92</td>
<td>Facilitate effectiveness of oversight function through the availability and implementation of delegations of powers</td>
<td>Availability of reviewed delegations of powers</td>
<td>Projected: 100% Actual: 100%</td>
<td>Target not met</td>
<td>The resignation of the strategic manager left a vacuum within the municipality and has negatively affected the implementation of IGR programmes.</td>
</tr>
</tbody>
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<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinate special programmes of CHDM</td>
<td>93</td>
<td>Development of special programmes strategy and implementation plan</td>
<td>Availability of special programmes strategy and implementation plan</td>
<td>Develop and implement special programmes strategy</td>
<td>Target not met</td>
<td>A service provider has been appointed and is in the process of finalising the document. Consultation workshops are being held.</td>
</tr>
<tr>
<td>Ensure inclusion and reporting by departments on mainstreamed projects and programs</td>
<td></td>
<td></td>
<td>Reports reflecting mainstreamed projects / programs by departments</td>
<td>Facilitate submission of reports by departments on mainstreamed projects/programs</td>
<td>Target not met</td>
<td>The resignation of the strategic manager left a vacuum in this area. However, requests for information have been sent and it is anticipated that this will be carried out in the next financial year.</td>
</tr>
<tr>
<td>Improve capacity and delivery of support services through central coordination, monitoring and evaluation</td>
<td>94</td>
<td>Coordination reporting on municipal support</td>
<td>Reports on support rendered</td>
<td>Coordinate monitoring and reporting of municipal support</td>
<td>Target not met</td>
<td>Although the municipality is rendering support services throughout the district, this support is not coordinated and each department within the municipality applies its own methodology in terms of the provision of this support.</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td>Ensure relationship with other institutions through monitoring and reporting on existing partnership</td>
<td>95</td>
<td>Coordinate reporting on existing partnerships</td>
<td>Reports on implementation of existing partnerships</td>
<td>Projected: Coordinate monitoring and reporting on partnerships or twinning agreements</td>
<td>Actual: Target not met</td>
<td>The resignation of the strategic manager left a vacuum within the municipality and has negatively affected the implementation of IGR/International Relations programmes.</td>
</tr>
<tr>
<td>Improve leadership capacity through clear capacity development programs</td>
<td>96</td>
<td>Enhancement of capacity for political and administrative leadership</td>
<td>Capacity building programmes implemented</td>
<td>Projected: Develop and Implement leadership development programs</td>
<td>Actual: Target not met</td>
<td>Although such programmes take place, these have not been centrally coordinated and as such, the effectiveness and/or progress in the area has not been monitored.</td>
</tr>
</tbody>
</table>

"CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT"
CHAPTER 4: FINANCIAL PERFORMANCE

4.1 INTRODUCTION

This chapter contains information regarding financial performance of the Chris Hani District Municipality and highlights specific accomplishments. This chapter comprises of three components viz.:

- Component A: Statement of financial performance;
- Component B: Spending against capital budget; and
- Component C: Other financial matters.

The Municipal Finance Management Act 56 of 2003 (MFMA) prescribes that the Council of a municipality must for each financial year approve an Annual Budget for the municipality before the start of that financial year. Section 16 (2) of the same Act stipulates that in order for the municipality to perform what is prescribed, the Mayor of the municipality must table the Annual Budget at a Council meeting at least 90 days before the start of the financial year. The processes involved during the 90 day period enable transparent engagements amongst the Communities, Councillors, the Executive and Administration to finalize the budget. The consultative and Public Participation processes also promote oversight over the adoption and implementation of the budget.

The departmental budget statements provide Council with information on how different departments within Chris Hani District Municipality (CHDM) intend to spend the funds that will be appropriated by Council, to enable Council and communities keep departments accountable for their delivery commitments contained in the Service Delivery Budget Implementation Plans (SDBIP) and to ensure that Council Committees effectively perform their oversight functions. This section of the report, therefore, gives an account of the income and expenditure trends of the municipality for the financial year under review.

Inflationary Trends

The cost of providing services is influenced by trends in the infrastructure industry, inclusive of inflation. The projected consumer price indices for the 2015 financial year are stipulated in the National Treasury Circular 70. The CPI projections for 2015, 2016 and 2017 financial years are 5.6, 5.4 and 5.4 respectively. The minimum wage for 2014 will be R 4 927.
The maximum medical aid increase will be 50% of the percentage increase of CPI + 1.25. A provision of 12% increase for medical aid will be reasonable.

The wage and salary cost of living adjustments are proposed at 6.8 % for 2014 (5.8 +1). Because of the negotiation processes as part of bargaining processes, it is proposed that the municipality provides for a 7.5% increase after the improvement of service conditions associated with closing the gap between top management and staff. A maximum of 6% increase on other expenses will suffice as the CPI of 5.4 is within this limit.

Performance bonuses for the municipal manager and managers reporting to the municipal manager range from 5 to 14 percent of total remuneration. A provision of 10% will suffice since there have been no bonus payment trends recently in excess of 10%.

The Eskom electricity increases have been approved at 7.39% by NERSA. This has the effect of limiting the costs influenced by the electricity inputs to the water and sanitation plants. The Engineering and Finance departments are encouraged to grow through the infusion of internships in their organisational structures. Phasing out of the clerk occupational category will provide more and better opportunities for internship contracts. For the effectiveness of internships, at least two year contracts are proposed inclusive of the EPWP element.

It is a common practice amongst the educational institutions such as universities of technology and FET Colleges to require experiential training for their students. It is advised that the municipality provides opportunities for such training in areas of excellence relevant for the business of the municipality. Collection rate at each municipality is not conducive for financial viability and sustainable services. Municipality has conducted an internal study to address the Viability of institution where a strategy on Revenue Enhancement has been developed. This will inform the municipality on ways of addressing recovery and enhancing revenue through collection, billing and so on.
4.2 INTRODUCTION TO FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

4.2.1. Revenue Management

Chris Hani District Municipality is 100% Grant dependent. Our major source of revenue is on water a service which is seconded to our 8 local municipalities to be providers of water services. The local municipalities are not collecting in the previous financial year are collection rate was sitting at 30% which is very low. We have received a support from COGTA through their Municipal Infrastructure Support Agency (MISA) which is assisting us in reviewing our revenue enhancement strategy which will be implemented in 2014/15 financial year to ensure that we assist the Water Service Provider to improve revenue collection. Collection rate at each municipality is not conducive for financial viability and sustainable services. This will inform the municipality on ways of addressing recovery and enhancing revenue through:

- Billing;
- Enforcement of By –laws;
- Data Cleansing;
- Review and implementation of revenue related policies;
- Management of indigent consumers; and
- Installation of Meters

The major sources of revenue consist of:

Operational Grants

- Equitable Share;
- Finance Management Grant (FMG);
- Municipal Systems Improvement Grant (MSIG);
Other Operational Programs

- Expanded Public Works Programme (EPWP); and
- Rural Roads Asset Management Grant

Capital Grants

- Municipal Infrastructure Grant (MIG);
- Regional Bulk Infrastructure Grant (RBIG);
- Municipal Water Infrastructure Grant (MWIG);
- Rural Household Infrastructure Grant (RHIG); and
- Water Services Operating Grant (WSOG)

Other Capital Programs

- Accelerated Community Infrastructure Program (ACIP); and
- Department of Housing Unblocking Program

There are other incomes sources which are not significant are listed below

- Interest from investment; and
- Rental Income

4.2.2. Water and Sanitation Tariffs

Water tariffs are derived from the amount provided per household for free basic services on the basis of consumption of 6 kl per month. The amount is R 93.09 per month and the tariff per kl is R 15.52. A stepped-up tariff is proposed according to the categories and consumption levels reflected in the table below.

Sanitation and wastewater tariffs cannot be metered and should therefore be based on the flat rate of R 76.00 per month. For commercial, business, agricultural and industrial use; the cost of wastewater will have a stepped up tariff of 4 kl with every 6 kl of consumption. A tariff of R12.67 per kl of consumption will be levied in addition to the water tariffs for these categories of consumers.
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
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</tr>
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<tr>
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<td>84.43</td>
<td>47.36</td>
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<td>&gt;500</td>
</tr>
<tr>
<td><strong>Average Tariff</strong></td>
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<tr>
<td><strong>Institutions</strong></td>
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<td>37.89</td>
<td>-0.10</td>
<td>40-500</td>
</tr>
<tr>
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<td>84.43</td>
<td>47.36</td>
<td>-0.44</td>
<td>&gt;500</td>
</tr>
<tr>
<td><strong>Average Tariff</strong></td>
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<tr>
<td><strong>Mixed Use (excluding Industrial and Agriculture)</strong></td>
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<td>14.41</td>
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<td><strong>Average Tariff</strong></td>
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<tr>
<td><strong>Business and Commercial</strong></td>
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<tr>
<td>&gt;500</td>
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<td>47.36</td>
<td>-0.44</td>
<td>&gt;500</td>
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### Average Tariff

<table>
<thead>
<tr>
<th>Level of Consumption (kl)</th>
<th>Tariffs 2013/2014</th>
<th>Tariffs 2014/2015</th>
<th>Percentage increase</th>
<th>Level of Consumption (kl)</th>
<th>Tariffs 2014/2015</th>
</tr>
</thead>
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<td>-0.44</td>
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### Average Tariff

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<tr>
<th>Categories</th>
<th>Monthly Fee</th>
<th>Tariffs 2014/2015</th>
<th>Percentage increase</th>
</tr>
</thead>
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<tr>
<td>Domestic</td>
<td>43.23</td>
<td>46.69</td>
<td>0.08</td>
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<tr>
<td>Unmetered</td>
<td>129.68</td>
<td>140.05</td>
<td>0.08</td>
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<tr>
<td>Commercial and Business Institutions</td>
<td>129.68</td>
<td>140.05</td>
<td>0.08</td>
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<tr>
<td>Industrial and Agriculture</td>
<td>129.68</td>
<td>140.05</td>
<td>0.08</td>
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</table>

**TABLE 55:** Water and Sanitation tariffs

### Free Basic Services

The working definition of beneficiaries for free basic services is poor households with a total household income below R 2 680 per month. These households are the beneficiaries of the basic services component of the equitable share allocation and as such will receive water subsidies of R 930.03 and sanitation services to an amount of R 76.00 per month.

All the other households are excluded from this definition of free basic services beneficiaries. This working definition is provided in the Division of Revenue Bill, 2014 and explained in the formula for the equitable share allocations for municipalities. There seems to be coincidence in this regard between the indigent subsidies and free basic services subsidies.

Council will need to decide on the level of services provided to the free basic services beneficiaries that are not inferior and are sustainable. The unintended consequences of these service levels include disparities between the different population groups, between urban and rural as well as the tendency to provide the services free to all households irrespective of income levels.

A sustainable solution is to provide access to 750 litres per household per day inside the dwelling or yard. When all households receive a reliable water service, then they will fund the
provision of sanitation at the level of sceptic tanks until the municipality is ready to roll out the sanitation network. This solution requires Council to decide on the designs of bulk water schemes, the reticulation schemes, the wastewater treatment plants, the types of water meters used and the toilet facilities permitted to be installed by the households. Different options are available as described in the Free Basic Services Regulations published by the Water Research Commission.

4.2.3. Financial Reporting and Budgeting

Financial Reporting is done on a monthly basis internally to the Finance, Audit, Mayoral and Council Committees, externally the finance reporting is made to National Treasury and the various transferring departments like COGTA, DWA, Department of Roads and Transport and any other departments that we are performing agency functions for. In the previous years we have encountered a lot of challenges when it comes to financial reporting but that has since been resolved with the assistance from National Treasury through their CFO support program which has assisted in eradicating the backlog we had on financial reporting and constant training on reporting performed by Provincial Treasury office in the district.

Municipal budget is the annual financial plan of revenue and expenditure of local government units, revenues and expenditures of budgetary establishments, auxiliary units, etc. It is passed in the form of a budget resolution. Construction of the contents of the budget is determined by a team of budgetary principles, among which the most important are the principles: unity, transparency, anteriority, balance, detail.

There are 5 Directorates (Budget & Treasury, Technical Services, Primary Health, and Environmental Health & Disaster Management) within the District Municipality. Each Directorate is allocated funds in the budget, the Directors are responsible to manage their allocated funds and accuracy is maintained.

In terms of budgeting all the budget related policies have been reviewed and approved by council. In terms of the Budget Framework Plan we are implementing according to the plan but what still need to be strengthened is the consultation of stakeholders so that we can get more although there is a budget steering committee which is in place and functional. We are also preparing budget as per the National Treasury guidelines and templates.

Tabulated below is a demonstration of the performance of the municipality against the approved budget for the financial year under review:
### 4.1.1. Statements of Financial Performance

#### TABLE 56: Statement of financial performance

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 0</th>
<th>Year -1</th>
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</thead>
<tbody>
<tr>
<td><strong>Cash flows</strong></td>
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<tr>
<td>Net cash from (used) operating</td>
<td>531,152</td>
<td>333,910</td>
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<tr>
<td>Net cash from (used) investing</td>
<td>(544,479)</td>
<td>(332,650)</td>
</tr>
<tr>
<td>Net cash from (used) financial</td>
<td>(1,576)</td>
<td>(5,682)</td>
</tr>
<tr>
<td>Cash/cash equivalents at the year end</td>
<td>284,517</td>
<td>293,386</td>
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</table>

#### Financial Performance

<table>
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<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Budget Adjustments (i.e. s28 and s31 of the MFMA)</th>
<th>Final adjustments budget</th>
<th>Shifting of funds (i.e. s31 of the MFMA)</th>
<th>Virement (i.e. Council approved policy)</th>
<th>Final Budget</th>
<th>Actual Unauthorised expenditure</th>
<th>Variance</th>
<th>Actual Outcome as % of Final Budget</th>
<th>Actual Outcome as % of Original Budget</th>
<th>Reported unauthorised expenditure</th>
<th>Expenditure authorised in terms of section 32 of MFMA</th>
<th>Balance to be recovered</th>
<th>Restated Audited Outcome</th>
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<tr>
<td><strong>Servicing charges</strong></td>
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<tr>
<td><strong>Investment revenue</strong></td>
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<td><strong>Transfers recognised - operational</strong></td>
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<tr>
<td><strong>Other own revenue</strong></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td><strong>Total Revenue (excluding capital transfers and contributions)</strong></td>
<td>425,339</td>
<td>82,321</td>
<td>507,661</td>
<td>507,661</td>
<td>507,661</td>
<td>(198,581)</td>
<td>80.3%</td>
<td>95.8%</td>
<td>383,942</td>
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<td><strong>Employee costs</strong></td>
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<td>(11,018)</td>
<td>130,864</td>
<td>130,864</td>
<td>130,864</td>
<td>(4,103)</td>
<td>93.9%</td>
<td>86.2%</td>
<td>112,567</td>
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<td><strong>Reimbursement of councillors</strong></td>
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<td>894</td>
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<td>7,362</td>
<td>7,362</td>
<td>356</td>
<td>104.1%</td>
<td>118.1%</td>
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<td>86,915</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>1,882</td>
<td>102.1%</td>
<td>297.4%</td>
<td>88,788</td>
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<td><strong>Finance charges</strong></td>
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<td>3,900</td>
<td>5,900</td>
<td>5,900</td>
<td>221</td>
<td>(5,673)</td>
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<td>11.3%</td>
<td>385</td>
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<td><strong>Materials and bulk purchases</strong></td>
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<td>6,000</td>
<td>11,230</td>
<td>11,230</td>
<td>1,945</td>
<td>117.3%</td>
<td>291.9%</td>
<td>6,079</td>
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<td>134,210</td>
<td>529,112</td>
<td>394,902</td>
<td>394.2%</td>
<td>367.0%</td>
<td>409,045</td>
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<td><strong>Other expenditure</strong></td>
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<td>(60,050)</td>
<td>62,000</td>
<td>60,000</td>
<td>62,000</td>
<td>(48,274)</td>
<td>20.3%</td>
<td>224.1%</td>
<td>3,917</td>
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<tr>
<td><strong>Total expenditure</strong></td>
<td>425,339</td>
<td>82,321</td>
<td>507,661</td>
<td>507,661</td>
<td>507,661</td>
<td>(198,581)</td>
<td>80.3%</td>
<td>95.8%</td>
<td>383,942</td>
<td></td>
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<tr>
<td><strong>Surplus/(Deficit) after capital transfers &amp; contributions</strong></td>
<td>544,479</td>
<td>39,639</td>
<td>584,118</td>
<td>584,118</td>
<td>584,118</td>
<td>14,364</td>
<td>102.5%</td>
<td>109.9%</td>
<td>473,955</td>
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<td><strong>Surplus/(Deficit) for the year</strong></td>
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<td>656,769</td>
<td>656,769</td>
<td>198,108</td>
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#### Capital expenditure & funds sources

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<th>Description</th>
<th>Original Budget</th>
<th>Budget Adjustments</th>
<th>Final adjustments budget</th>
<th>Shifting of funds</th>
<th>Virement</th>
<th>Final Budget</th>
<th>Actual Unauthorised expenditure</th>
<th>Variance</th>
<th>Actual Outcome as % of Final Budget</th>
<th>Actual Outcome as % of Original Budget</th>
<th>Reported unauthorised expenditure</th>
<th>Expenditure authorised in terms of section 32 of MFMA</th>
<th>Balance to be recovered</th>
<th>Restated Audited Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfers recognised - capital</strong></td>
<td>544,479</td>
<td>(22,429)</td>
<td>522,050</td>
<td>522,050</td>
<td>224,629</td>
<td>(297,421)</td>
<td>43.0%</td>
<td>41.3%</td>
<td>264,618</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Borrowing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internally generated funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total sources of capital funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from (used) operating</td>
<td>531,152</td>
<td>(197,242)</td>
<td>333,910</td>
<td>333,910</td>
<td>425,376</td>
<td>91,466</td>
<td>127.4%</td>
<td>80.1%</td>
<td>185,714</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from (used) investing</td>
<td>(544,479)</td>
<td>211,810</td>
<td>(332,650)</td>
<td>(332,650)</td>
<td>(458,388)</td>
<td>(125,730)</td>
<td>137.6%</td>
<td>84.2%</td>
<td>(221,905)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from (used) financial</td>
<td>(1,576)</td>
<td>(9,223)</td>
<td>(5,682)</td>
<td>(5,682)</td>
<td>(5,554)</td>
<td>(144)</td>
<td>97.5%</td>
<td>0.0%</td>
<td>(1,070)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash/cash equivalents at the year end</strong></td>
<td>284,517</td>
<td>8,869</td>
<td>293,386</td>
<td>293,386</td>
<td>191,450</td>
<td>(101,936)</td>
<td>65.3%</td>
<td>0.0%</td>
<td>230,027</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The municipality’s expenditure exceeded budgeted amounts due to external government grants and subsidies that were recorded after the adjustment budget. However slow spending is also noted in areas that are internally funded and the municipality is taking steps to effect corrective measures in the next financial year.

**TABLE 57: Financial performance of operational services**

<table>
<thead>
<tr>
<th>Description</th>
<th>Year -1 Actual</th>
<th>Original Budget</th>
<th>Adjustments Budget</th>
<th>Year 0 Actual</th>
<th>Original Budget</th>
<th>Adjustments Budget</th>
<th>Year 0 Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>187 952</td>
<td>180 354</td>
<td>198 357</td>
<td>192 610</td>
<td>6.36%</td>
<td>-2.98%</td>
<td></td>
</tr>
<tr>
<td>Waste Water (Sanitation)</td>
<td>94 522</td>
<td>37 597</td>
<td>51 785</td>
<td>667 630</td>
<td>94.37%</td>
<td>92.24%</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Waste Management</td>
<td>43</td>
<td>13 087</td>
<td>13 329</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Component A: sub-total</td>
<td>282 517</td>
<td>231 038</td>
<td>263 471</td>
<td>860 240</td>
<td>73.14%</td>
<td>69.37%</td>
<td></td>
</tr>
<tr>
<td>Waste Water (Stormwater Drainage)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Roads Transport</td>
<td>449</td>
<td>27 034</td>
<td>22 000</td>
<td>35 135</td>
<td>23.06%</td>
<td>37.38%</td>
<td></td>
</tr>
<tr>
<td>Component B: sub-total</td>
<td>449</td>
<td>27 034</td>
<td>22 000</td>
<td>35 135</td>
<td>23.06%</td>
<td>37.38%</td>
<td></td>
</tr>
<tr>
<td>Planning and development</td>
<td>8 712</td>
<td>36 074</td>
<td>96 619</td>
<td>55 557</td>
<td>35.07%</td>
<td>-73.91%</td>
<td></td>
</tr>
<tr>
<td>Local Economic Development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Component B: sub-total</td>
<td>8 712</td>
<td>36 074</td>
<td>96 619</td>
<td>55 557</td>
<td>35.07%</td>
<td>-73.91%</td>
<td></td>
</tr>
<tr>
<td>Planning (Strategic &amp; Regulatory)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Local Economic Development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Component C: sub-total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Community &amp; Social Services</td>
<td>17 878</td>
<td>37 504</td>
<td>53 113</td>
<td>41 977</td>
<td>10.66%</td>
<td>-26.53%</td>
<td></td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>59</td>
<td>284</td>
<td>1 636</td>
<td>2 192</td>
<td>87.04%</td>
<td>25.36%</td>
<td></td>
</tr>
<tr>
<td>Security and Safety</td>
<td>1 660</td>
<td>183</td>
<td>556</td>
<td>2 710</td>
<td>93.25%</td>
<td>79.48%</td>
<td></td>
</tr>
<tr>
<td>Sport and Recreation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Corporate Policy Offices and Other</td>
<td>324 264</td>
<td>118 402</td>
<td>252 814</td>
<td>99 170</td>
<td>-19.39%</td>
<td>-154.93%</td>
<td></td>
</tr>
<tr>
<td>Component D: sub-total</td>
<td>343 861</td>
<td>156 373</td>
<td>308 119</td>
<td>146 049</td>
<td>-7.07%</td>
<td>-110.97%</td>
<td></td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>635 539</td>
<td>450 519</td>
<td>690 209</td>
<td>1 096 981</td>
<td>58.93%</td>
<td>37.08%</td>
<td></td>
</tr>
</tbody>
</table>

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.
### 4.1.2. Grants

<table>
<thead>
<tr>
<th>Description</th>
<th>Year -1 Actual</th>
<th>Year -1 Budget</th>
<th>Year -1 Adjustments Budget</th>
<th>Year 0 Actual</th>
<th>Year 0 Budget</th>
<th>Year 0 Adjustments Budget</th>
<th>Year 0 Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National Government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equitable share</td>
<td>325 908</td>
<td>359 914</td>
<td>0</td>
<td>359 060</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Municipal Systems Improvement</td>
<td>790</td>
<td>1 000</td>
<td>1 000</td>
<td>1 000</td>
<td>0.00%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Department of Water Affairs</td>
<td>107 057</td>
<td>16 878</td>
<td>16 878</td>
<td>17 408</td>
<td>-3.1%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Municipal Infrastructure Grant</td>
<td>3 000</td>
<td>3 000</td>
<td>3 000</td>
<td>3 000</td>
<td>0%</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Finance Management Grant</td>
<td>1 250</td>
<td>1 500</td>
<td>1 500</td>
<td>1 500</td>
<td>0.00%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>EPWP</td>
<td>9 141</td>
<td>26 235</td>
<td>26 235</td>
<td>9 835</td>
<td>62.51%</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Rural Transport</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.0</td>
</tr>
<tr>
<td>RRAMSG</td>
<td>1 688</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.00%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Public works</td>
<td>10 049</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.00%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Sport and Development</td>
<td>5 987</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Provincial Government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads and Transport</td>
<td>43 592</td>
<td>27 034</td>
<td>27 748</td>
<td>32 325</td>
<td>-19.57%</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Housing Local Gov &amp; Traditional Affairs</td>
<td>1 242</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.00%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Economic Affairs &amp; trade</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4 970</td>
<td>0.00%</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>District Municipality:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[insert description]</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other grant providers:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.00%</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>LG SETA</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.00%</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Operating Transfers and Grants:</strong></td>
<td>506 704</td>
<td>435 561</td>
<td>439 233</td>
<td>430 874</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

**TABLE 5.2.1:** Grant performance

The budgeted National operating grants were received in full except for Rural Transport that was not received at all, EPWP was budgeted for an additional R 16 400m that was already received in the previous financial year. RRAMSG was not budgeted for although R 1,776m was received in the current financial year. The Roads and Transport allocation was received in full with an additional amount for flood relief that was not initially budgeted for. The grant received from the department of Economic affairs & trade was also not budgeted for.
4.1.4. Asset Management

The Chris Hani District Municipality currently does not have an asset management unit. Asset management in the past has been incorporated under Budget and Reporting which was making the scope of work to be performed by the section to be huge and complex. In next financial year this section will be incorporated with supply chain management unit and new organogram has been developed and approved by the council and the institution is in the process of filling all the vacant positions as per new organogram. Currently the municipality is using the external source to assist in all the areas of assets (movable and infrastructure assets).

A complete and GRAP compliant Asset Register was developed which is updated on a monthly basis for the movable assets and the municipality also procured an asset software which is also assisting in the proper management of asset. The area that still needs to be strengthened is the management of Infrastructure Assets. Infrastructure asset register is only updated at the end of the financial year which sometimes possess a challenge during the end of the financial year. An asset management strategy is being developed and in the next financial year, a comprehensive Asset Management Policy will be approved by Council. In the event of loss and stolen assets, these are reported to the asset manager and the asset register is updated accordingly. The largest assets that the municipality has procured during the financial year under review are those related to infrastructure projects and tabulated hereon below is the treatment of the three largest assets that have been procured during this time:

<table>
<thead>
<tr>
<th>ASSET 1</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TREATMENT OF THE THREE LARGEST ASSETS</strong></td>
<td>Name</td>
<td>Description</td>
<td>Asset type</td>
<td>Key staff involved</td>
</tr>
<tr>
<td></td>
<td>Whittlesea Reservoir</td>
<td>Reservoir</td>
<td>Immovable asset</td>
<td>WSA area managers, technicians, Institutional and Social Development</td>
</tr>
<tr>
<td></td>
<td>Staff responsibilities</td>
<td>Project management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset value</td>
<td>Year 3</td>
<td>Year 2</td>
<td>Year 1</td>
</tr>
<tr>
<td></td>
<td>R 7 867 912.38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital implications</td>
<td>Allocation for future maintenance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Future purpose of the asset | To provide water to communities
---|---
Describe key issues | Performance of contractors to deliver on time
Policies in place to manage asset | An asset management policy is in the process of being developed, which will also focus on dealing with all infrastructure assets. This will be approved in the next financial year.

### ASSET 2

Name | Tsojana Water Treatment Works-Flocculation Column X2
---|---
Description | Water Treatment Works
Asset type | Immovable asset
Key staff involved | WSA area managers, technicians, Institutional and Social Development Staff
Staff responsibilities | Project management
Asset value | Year 3 | Year 2 | Year 1 | Current Year
---|---|---|---|---
| R 8 212 230.93
Capital implications | Allocation for future maintenance
Future purpose of the asset | Treating of waste water from communities
Describe key issues | Performance of contractors to deliver on time
Policies in place to manage asset | An asset management policy is in the process of being developed, which will also focus on dealing with all infrastructure assets. This will be approved in the next financial year.

### ASSET 3

Name | Indwe Waste Water Treatment Works-Large Floculation Pond
---|---
Description | Waste Water Treatment Works
Asset type | Immovable asset
Key staff involved | WSA area managers, technicians, Institutional and Social Development Staff
Staff responsibilities | Project management
Asset value | Year 3 | Year 2 | Year 1 | Current Year
---|---|---|---|---
| R 9 143 810.36
**Capital implications**
Allocation for future maintenance

**Future purpose of the asset**
Treating of waste water from communities

**Describe key issues**
Performance of contractors to deliver on time

**Policies in place to manage asset**
An asset management policy is in the process of being developed, which will also focus on dealing with all infrastructure assets. This will be approved in the next financial year.

**TABLE 61**: Detail of 3 largest assets

---

**TABLE 59**: Expenditure on repairs and maintenance

Repairs and maintenance are lower than 20% resulting from deficiencies in recording of related transactions. The procedures for recording this expense are being developed and should be completed by the end of the fourth quarter.

### 4.1.3. Financial Ratios based on Key Performance Indicators

<table>
<thead>
<tr>
<th>RATIO</th>
<th>2012/2013</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current ratio:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>578,035,113.00</td>
<td>2,24:1 A net current asset position was realised (total current assets exceeded total current liabilities)</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>258,216,002.00</td>
<td></td>
</tr>
<tr>
<td><strong>Acid test Ratio:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Current Assets - Inventory)</td>
<td>577,161,885.00</td>
<td>2,24:1 A net current asset position was realised (total current assets exceeded total current liabilities)</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>258,216,002.00</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital Ratio:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Current Assets - Current liabilities)</td>
<td>319,819,111.00</td>
<td>0,93:1 A net current asset position was realised (total current assets exceeded total current liabilities)</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,440,370,140.00</td>
<td></td>
</tr>
<tr>
<td><strong>Debt ratio:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>291,621,002.00</td>
<td>0.08:1 A net asset position was realised (total assets exceeded total liabilities)</td>
</tr>
</tbody>
</table>

---
**CONSOLIDATED ANNUAL REPORT**

<table>
<thead>
<tr>
<th>Total assets</th>
<th>3,440,370,140.00</th>
</tr>
</thead>
</table>

**Debt position ratio:**

<table>
<thead>
<tr>
<th>Total assets</th>
<th>3,440,370,140.00</th>
<th>11.8:1</th>
<th>A net asset position was realised (total assets exceeded total liabilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>291,621,002.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Investments vs Total assets Ratio:**

<table>
<thead>
<tr>
<th>Total investments</th>
<th>118,883,470.00</th>
<th>3%</th>
<th>Indicating the percentage of municipal assets comprising investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3,440,370,140.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Unspent grants vs Total grants revenue:**

<table>
<thead>
<tr>
<th>Unspent grants</th>
<th>57,611,656.00</th>
<th>6%</th>
<th>Indicating the ratio of unspent grants to total grant revenue recognised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total grants</td>
<td>1,032,288,907.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Profit realised:**

<table>
<thead>
<tr>
<th>Total revenue</th>
<th>1,006,052,043.00</th>
<th>124%</th>
<th>A profit for the year was realised (total revenue exceeded total expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating expenditure</td>
<td>814,275,607.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Creditors settlement period:**

<table>
<thead>
<tr>
<th>Accounts payable/average purchases*365</th>
<th>198,267,296.00</th>
<th>185.56</th>
<th>Average number of days taken to settle outstanding credit balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>390,000,000.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 60: Finance ratios**

The municipality has a favourable liquidity ratio, acceptable employee costs to total expenditure ratio that is below the norm, no long debt obligations and no long outstanding consumer debt balances that are not collectible.
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

4.2 INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Our main capital programs are Municipal Infrastructure Grant and Regional Bulk Infrastructure Grant. Both these programs the whole allocation for the financial year.

<table>
<thead>
<tr>
<th>Program</th>
<th>Capital Budget</th>
<th>Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Bulk Infrastructure</td>
<td>169 405 000.00</td>
<td>185 576 717.44</td>
</tr>
<tr>
<td>MIG</td>
<td>345 243 000.00</td>
<td>346 428 658.00</td>
</tr>
</tbody>
</table>

TABLE 61: Capital programmes

4.2.1. Capital Expenditure

![Graph 14: Capital expenditure](image)

Capital Expenditure: Year 0

- Capital Expenditure: 87.97%
- Operating Expenditure: 12.03%
4.2.2. Sources of Finance

TABLE 62: Funding sources

The budgeting for capital expenditure included a portion that had to be expensed on completion of the planned projects hence the reported underspending. The acquisition of other plant and equipment did not materialise as originally budgeted for.

4.2.3. Capital Spending on 5 Largest Projects

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Current year (2012/2013)</th>
<th>Variance current year (2012/2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual Expenditure</td>
</tr>
<tr>
<td>Xonxa contract 1</td>
<td>24 814 621.35</td>
<td>22 445 185.56</td>
</tr>
<tr>
<td>Xonxa contract 2</td>
<td>66 276 665.00</td>
<td>51 062 603.38</td>
</tr>
</tbody>
</table>
### Xonxa contract 3
- **Objectives of project**: Augment Queenstown water supply and surrounding areas for social and economic development.
- **Delays Experienced**: Community protests, land dispute, labour instability.
- **Challenges**: Community protests, land dispute, labour instability.
- **Benefits to the community**: Clean drinking water, Eradicated water supply backlog.

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xonxa contract 3</td>
<td>92 626 742.43</td>
</tr>
</tbody>
</table>

### Rathwick Phase 1
- **Objectives of project**: Upgrade Water and Sanitation Services for New Rathwick Development.
- **Delays Experienced**: Rain, unfavourable environmental conditions.
- **Challenges**: Delays in material delivery, Inconsistent contractor staff, labour instability.
- **Benefits to the community**: Improved services, 16 000 households to benefit.

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rathwick Phase 1</td>
<td>26 465 187.21</td>
</tr>
</tbody>
</table>

### Rathwick Phase 2
- **Objectives of project**: Water treatment works provide purified water from Ncora dam and will ultimately serve 82 communities in cluster 4 and 5 once reticulation and bulk lines have been completed
- **Delays**: Rain, National strikes
- **Challenges**: Land disputes around borrow pits. But was resolved.
- **Benefits to the community**: Once the water treatment works is completed and all the other bulk and reticulation networks have been installed it will serve 82 communities and 19133 persons.

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rathwick Phase 2</td>
<td>20 893 566.14</td>
</tr>
</tbody>
</table>

### Cluster 4 Ncora water treatment works
- **Objectives of project**: The purpose of this bulk infrastructure is to link the existing Tsojana Southern Bulk with the new river abstraction works and water treatment works that are being constructed at Tsomo during 2014-2016. It will ultimately serve 16462 persons once all phase are completed
- **Delays**: Rain, National strikes
- **Challenges**: Delivery of ductile iron pipe but was resolved
- **Benefits to the community**: Once all phases of the cluster is completed 16462 persons will benefit.

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 4 Ncora water treatment works</td>
<td>49 560 497.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 9 Phase 2 bulk supply line</td>
<td>25 305 603.18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 6 Gqaga water treatment works</td>
<td>34 700 000</td>
</tr>
</tbody>
</table>
### Objectives of project

Water treatment works will provide purified water from Nqancule river and will ultimately serve 88 communities once reticulation and bulk lines have been completed.

<table>
<thead>
<tr>
<th>Delays</th>
<th>Rain, access to site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenges</td>
<td>Eskom approval has delayed implementation of powerline but has been resolved</td>
</tr>
<tr>
<td>Benefits to the community</td>
<td>Once all phases of the cluster linking to the Gqaga water treatment is completed 88 communities will benefit for the water supply.</td>
</tr>
</tbody>
</table>

**TABLE 63: Capital projects**

#### 4.2.4. Basic Service and Infrastructure Backlogs

The Chris Hani District Municipality is a Water Services Authority as duly designated by the MStrA. In terms of this function, the key responsibility if the CHDM is that of providing quality water and sanitation services to the inhabitants of the district. This implies expansion and extension of the service to areas previously not services. This implies, in terms of national and provincial targets, eradicating all backlogs relating to water and sanitation services. Furthermore, the municipality is also tasked with ensuring that it maintains the service in areas where it was delivered.

A number of factors contribute to the extent to which the municipality is able to effectively deliver on these tasks. The first of these relate to the changes in population numbers. In terms of the census that was conducted in 2011, there was a notable decline in population numbers from 800,289 in 2001 to 795,461 in 2011. This is attributed mainly to citizens of the district moving out of the district in search for working opportunities in other districts or provinces, as well as in search for educational institutions for those undertaking further studies. At a practical level, this means that throughout the year, an almost constant number of people live within the district however, this is punctuated by rapid population increases during holiday seasons such as December, June and Easter weekend.

Two fundamental implications for backlog eradication can be drawn from this situation. On one level, serious pressure is placed on the infrastructure during the holiday seasons in that there is an increased number of people demanding water and sanitation services, this leading to the infrastructure damages in some instances. On the other hand, the allocation of funding for this purpose does not cater for such changes in the population size due to migration thus remaining constant with the census figures issued in 2011. This means that planning at the municipal level must be balanced against the demands on the ground, and the availability of resources. Graphs 14 and 15 below indicate the backlogs in relation to water infrastructure per local municipality.
In terms of this figure, it can be noted that Engcobo has the greatest backlog, this followed by Intsika Yethu Municipality with Inkwanca being the least with water backlog. The overall figure of the backlog has not changed significantly year-on-year, what has changed it the distribution of the backlog between municipalities due to the demarcation boundary changes. This means that most of the CHDM water infrastructure backlog has shifted to Engcobo Local Municipality area. Closely mirroring the backlog challenges as indicated in relation to water, a similar trend can be found in relation to the provision of sanitation services. To this effect, graphs 16 and 17 which follow indicate the sanitation backlogs throughout the district per local municipality.
The CHDM has identified and quantified all villages with water and sanitation backlogs within their area of jurisdiction and put them into clusters. The District Municipality could not meet the targets it set of eradicating buckets due to financial and capacity constraints and as a result has committed itself in ensuring that it provides free basic services to its communities. Due to the allocated powers and functions the provision of basic level of services is limited to water and sanitation. Backlogs have made it difficult to provide these services in areas which do not have infrastructure especially in the former Ciskei and Transkei areas. The funding with respect to MIG falls short in eradicating the backlog. A Water Services Development Plan was developed by the municipality and this was approved by Council. In terms of the plan, the
municipality will seek to increase its efforts in this area such that the figures as depicted in table 64 below are serviced.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Population Served</th>
<th>Population Not Served</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Water</td>
<td>Sanitation</td>
</tr>
<tr>
<td>Emalahleni</td>
<td>29,352</td>
<td>13,108</td>
</tr>
<tr>
<td>Inkwanca</td>
<td>3,694</td>
<td>2,413</td>
</tr>
<tr>
<td>Intsika Yethu</td>
<td>24,491</td>
<td>18,543</td>
</tr>
<tr>
<td>Inxuba Yethemba</td>
<td>12,483</td>
<td>12,483</td>
</tr>
<tr>
<td>Lukhanji</td>
<td>46,094</td>
<td>14,270</td>
</tr>
<tr>
<td>Engcobo</td>
<td>15,690</td>
<td>8,540</td>
</tr>
<tr>
<td>Sakhisizwe</td>
<td>10,589</td>
<td>4,057</td>
</tr>
<tr>
<td>Tsolwana</td>
<td>7,134</td>
<td>5,142</td>
</tr>
<tr>
<td>DMA</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>149,539</strong></td>
<td><strong>78,578</strong></td>
</tr>
<tr>
<td><strong>PERCENTAGE</strong></td>
<td><strong>73%</strong></td>
<td><strong>38%</strong></td>
</tr>
</tbody>
</table>

**TABLE 64:** Backlog detail

The Chris Hani DM has also developed a Water Services Backlog Eradication Strategy, whereby all areas with backlogs have been identified and quantified up to the village level. The affected villages have been grouped into nine clusters (i.e. regional schemes). Estimated funding requirement to address the water and sanitation Backlog are highlighted in table … that follows:

<table>
<thead>
<tr>
<th>Clusters</th>
<th>No of Villages</th>
<th>Households</th>
<th>Total Cost</th>
<th>Urban/Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17</td>
<td>1653</td>
<td>R 102,594,230</td>
<td>Rural</td>
</tr>
<tr>
<td>2</td>
<td>38</td>
<td>3919</td>
<td>R 129,726,695</td>
<td>Rural</td>
</tr>
<tr>
<td>3</td>
<td>11</td>
<td>2427</td>
<td>R 58,714,048</td>
<td>Rural</td>
</tr>
<tr>
<td>4</td>
<td>36</td>
<td>3173</td>
<td>R 162,209,630</td>
<td>Rural</td>
</tr>
<tr>
<td>5</td>
<td>37</td>
<td>3146</td>
<td>R 204,188,946</td>
<td>Rural</td>
</tr>
<tr>
<td>6</td>
<td>108</td>
<td>4669</td>
<td>R 520,089,290</td>
<td>Rural</td>
</tr>
<tr>
<td>7</td>
<td>37</td>
<td>4843</td>
<td>R 213,727,017</td>
<td>Rural</td>
</tr>
<tr>
<td>8</td>
<td>34</td>
<td>3055</td>
<td>R 174,996,766</td>
<td>Rural</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>593</td>
<td>R 50,425,300</td>
<td>Rural</td>
</tr>
<tr>
<td>Xonxa Bulk Supply</td>
<td>-</td>
<td>-</td>
<td>R 80,000,000</td>
<td>Rural</td>
</tr>
<tr>
<td>Other areas</td>
<td>-</td>
<td>-</td>
<td>R 1,691,782,787</td>
<td>Rural</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>56,245</td>
<td><strong>R 3,388,454,710</strong></td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 65:** Financial detail - backlogs
4.3 INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The municipality manages its cash flow by ensuring that expenditure is limited to budget and that surplus cash not required to meet immediate financial obligations is invested on short term financial instruments but at the same time ensuring that there will be sufficient cash before maturity dates are reached. There is not much difficulty in controlling the revenue cash inflows because the municipality is largely funded from National and Provincial grants.

4.3.1. Cash Flow

<table>
<thead>
<tr>
<th>Description</th>
<th>Year -1</th>
<th>Current: Year 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Audited Outcome</td>
<td>Original Budget</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratepayers and other</td>
<td>557</td>
<td>550</td>
</tr>
<tr>
<td>Government - operating</td>
<td>846,705</td>
<td>409,326</td>
</tr>
<tr>
<td>Government - capital</td>
<td>528,079</td>
<td>516,468</td>
</tr>
<tr>
<td>Interest</td>
<td>19,601</td>
<td>15,454</td>
</tr>
<tr>
<td>Donations</td>
<td>1,500</td>
<td>-</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers and employees</td>
<td>(680,566)</td>
<td>(276,096)</td>
</tr>
<tr>
<td>Finance charges</td>
<td>(385)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Transfers and Grants</td>
<td>-</td>
<td>(144,160)</td>
</tr>
<tr>
<td><strong>NET CASH FROM/(USED) OPERATING ACTIVITIES</strong></td>
<td>187,412</td>
<td>531,153</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds on disposal of PPE</td>
<td>1,240</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (Increase) in non-current debtors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (increase) other non-current receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (increase) in non-current investments</td>
<td>46,557</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets</td>
<td>(271,202)</td>
<td>(544,479)</td>
</tr>
<tr>
<td><strong>NET CASH FROM/(USED) INVESTING ACTIVITIES</strong></td>
<td>(223,405)</td>
<td>(544,479)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Borrowing long term/refinancing</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase (decrease) in consumer deposits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of borrowing</td>
<td>(1,075)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH FROM/(USED) FINANCING ACTIVITIES</strong></td>
<td>(1,075)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET INCREASE/ (DECREASE) IN CASH HELD</strong></td>
<td>(37,067)</td>
<td>(13,326)</td>
</tr>
<tr>
<td>Cash/cash equivalents at the year begin:</td>
<td>267,291</td>
<td>297,843</td>
</tr>
<tr>
<td>Cash/cash equivalents at the year end:</td>
<td>230,224</td>
<td>284,517</td>
</tr>
</tbody>
</table>

Source: MBRR A7 T 5.9.1

**TABLE 66**: Cash flow outcomes
The municipality’s cash flow status has been positive for the past recent financial years. The accelerated spending on the MIG funded projects resulted in payments to suppliers exceeding the budgeted cash flow and this also gave rise in decreased net cash held by the municipality in the past two financial years.

4.3.2. Borrowings and Investments

The municipality did not require borrowing funding as a source of finance towards its operations for the current and previous financial years. The reported balances are carried forward from prior years as the loan is still being repaid.

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Year -2</th>
<th>Year -1</th>
<th>Year 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Loans (annuity/reducing balance)</td>
<td>5,553</td>
<td>4,424</td>
<td>0</td>
</tr>
<tr>
<td>Long-Term Loans (non-annuity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local registered stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instalment Credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Leases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Granted By Cap Equipment Supplier</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Marketable Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipality Total</td>
<td>5,553</td>
<td>4,424</td>
<td>0</td>
</tr>
<tr>
<td>Municipal Entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Loans (annuity/reducing balance)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Loans (non-annuity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local registered stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instalment Credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Leases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Granted By Cap Equipment Supplier</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Marketable Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entities Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**TABLE 67: Borrowings**
TABLE 68: Investments

All investments are in the form of short term fixed deposits made to recognized banking institutions.

4.3.3. PUBLIC PRIVATE PARTNERSHIPS

The municipality had no agreements, contracts and projects undertaken during the current and previous years through PPP's.
4.4 INTRODUCTION TO OTHER FINANCIAL MATTERS

4.4.1. Supply Chain Management

We currently don’t have asset management unit. Asset management in the past has been incorporated under Budget and Reporting which was making the scope of work to be performed by the section to be huge and complex. In 1415 financial year this section has been incorporated with supply chain management unit and new organogram has been developed and approved by the council and we are in a process of filling all the vacant positions as per new organogram. Currently we are using the external source to assist in all the areas of assets (movable and infrastructure assets).

We do have an Asset Register which is updated on a monthly basis for the movable assets and we have also procured an Asset Software which is also assisting in the proper management of asset. The area that still to be strengthened is the management of Infrastructure Assets. Infrastructure asset register is only updated at the end of the financial year which sometimes poses challenge during the end of the financial year. An asset management strategy is being developed and we do have an Asset Management Policy. In the event of loss and stolen assets is reported to the asset manager and the asset register is updated. This is a plan to unify the asset management function and financial management system.

On Supply Chain Management the unit is the custodian of the institution’s Supply Chain Management Policy which has been adopted by Council and ensures its implementation in its procurement processes at all times. The policy itself is in line with Treasury Guidelines and is renewable annually.

The unit has the following key priority areas:

- To ensure that the municipality has and implements a supply chain management policy, this gives effect to the provisions of the act;
- To ensure procurement of goods and services in a fair, equitable, transparent, competitive and cost effective and comply with the prescribed regulatory framework;
- That all reasonable steps are taken to ensure that proper mechanisms are in place and separation of duties in the supply chain management system is implemented to minimise likelihood of fraud, corruption, favouritism and unfair and irregular practises;
- To ensure that all contracts/agreement are in writing and are procured in line with the Supply Chain Management;
To ensure that the supply chain management delegations are properly enforced and managed;

That the municipal bid structures are in place and effective, to ensure competitive bidding process;

Ensure submission of proper, accurate and applicable reports as per MFMA;

To ensure the disposal of municipal assets in accordance with the applicable legislation; and

Ensure that municipal inventory levels are kept at an acceptable levels as per the Municipal SCM policy.

The institution is implementing a database rotation system for the procurement for goods and services for the operational budget depending on delegation as per legislation, and is using an electronic order system for purchases. Also the bidding system is followed as per legislation in terms of capital appointments and according to the delegations. There are three bid committee structures that are active and have own set of dates that they normally follow to attend to matters.

The Bid Committees are: the Adjudication Committee that is comprised of Senor Managers, SCM Manager and is chaired by the CFO of the institution, the Bid Evaluation & Specification Committees. That is comprised of project managers and SCM officials.

CHDM has the following elements of SCM that are fully functional:

**Demand management:** This is the beginning of the supply chain, and must begin with a needs assessment, to ensure that goods or services are required in order to deliver the agreed service, that specifications are precisely determined, that requirements are linked to the budget and that the supplying industry has been analyzed.

**Acquisition management:** It is the management of procurement by the municipality to decide on the manner in which the market will be approached; to establish the total cost of ownership of a particular type of asset; to ensure that bid documentation is complete, including evaluation criteria.

**Logistics management:** This aspect addresses the setting of inventory levels, placing of orders, receiving and distribution of material and goods, stores, warehouse and transport management, expediting orders, the review of vendor performance, maintenance and contract administration.
Disposal management: A supply chain management policy must provide for an effective system of disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the MFMA.

Contract Management: this section addresses the validity of our contracts in terms of compliance and applicable deliverables. It also monitors any variations that may be incurred.

Risk management: risk management is maintained in all elements of SCM by putting in place proper controls. Risk management includes identification of risks on a case-by-case basis;

Performance management: This is a monitoring process, undertaking a retrospective analysis to determine whether the desired objectives were achieved. Some of the issues that may be reviewed are: compliance to norms and standards; cost efficiency of procurement process (i.e. the cost of the process itself).

4.4.2. GRAP Compliance

Since the publication of Government Gazette 30013, the CHDM has moved towards compliance with the standards of Generally Recognised Accounting Practices (GRAP). The accounting standards give the following guidance to the preparers of AFS when dealing with specific topics:

- They explain the accounting treatment of transactions, in other words the debit and credit entries, including when to recognise these entries;
- They explain the accounting measurement of transactions; and
- They explain the presentation and disclosure requirements of transactions in the municipality’s Annual Financial Statements

For the financial year under review, the CHDM has continued to apply these standards and therefore, no deviations have been experienced.
5.1 INTRODUCTION TO THE CHRIS HANI DEVELOPMENT AGENCY

The Council of Chris Hani District Municipality took a decision to establish a regional economic development agency which would act as a special purpose vehicle to bolster economic development within the region and consequently assist the district municipality in delivering on the basic goal of bettering the lives of the citizens of the district. The primary focus of the agency is based on:

- Targeted resource mobilisation and the management of ring-fenced funds;
- Sub-sector value chains and cluster development;
- Targeted skills development;
- Institutional framework for formal collaborations;
- Commercialisation of underutilised public assets; and
- Holding strategic interest on behalf of future beneficiaries.

This component of the annual report, therefore, focuses on reporting about the progress made in terms of establishing governance systems and the acquisition of sufficient human capital to drive not only the next growth trajectory of the establishment of the Agency focused on the conceptualization and the roll-out of seeing real investment in the mandate area but more importantly on ensuring that the CHDA has capacity to meet the compliance requirements with respect to MFMA and other prescripts in the Local Government sphere. The pre-establishment period as the first year of the operationalization and establishment of the CHDA has proven to be critical in strengthening governance, establishing systems and internal controls.

During the year under review, the establishment phase, the CHDA, under the guidance of the interim Chief Executive Officer, with the dedicated staff complement that ensured the smooth undertaking of complex tasks, managed to deliver a qualified audit opinion in spite of the irregular expenditure declared in the Annual Financial Statement and other equally concerning matters of governance and leadership as raised in the Management Letter. The CHDA in the 2012/2013 financial year spent a significant amount of time in pre-establishment phase where energies were channelled toward deciphering the Concept Document and testing where some of the assumptions made therein were indeed viable or even feasible for implementation by a municipal entity.
Having tested that some of the assumptions made were indeed to be proven false, it is safe to say that the CHDA must rethink the funding model for such a developmentally charged special purpose vehicle as a municipal entity. Having undertaken both financial and legal due diligence work, the CHDA has proved that the notion of a municipal entity that takes equity in projects funded by a district municipality is not possible as the MFMA Regulations preclude such a possibility. As a group of development practitioners, the agency is charged to rethink the question of viability and the sustainability of municipal entities constrained by a rigid governance framework which priorities and guards risk to lose against the opportunity to scope with balanced risk taking measures.

At a Governance level, the Memorandum of Agreement which confirms the mandate of the Agency was completed together with the subsequent approval and signing of the Service Delivery Agreement which ushered amongst others the administration of the Chris Hani Community Skills Development Fund and the project management of the Chris Hani International Investment Summit. Today the Skills Development Fund support twenty two (22) young people from the impoverished communities of CHDM in Institutions of Higher Learning throughout the country. This component of the annual report further reflects on the successes of the implementation and the execution of such mandated instructions in spite of human and financial constraints under difficult working conditions.

The last financial year also initiated the next phase in the growth and establishment maturity of the CHDA with the initiation of a Project Pipeline starting with the engagement of Elitheni Coal Mine presenting two investment opportunities for the CHDA and the Chris Hani District broadly. This Investment Facilitation track led to the successful organization and hosting of the Chris Hani Investment Summit, effectively triggering the CHDA’s Investment Promotion and Facilitation work.
5.2 GOVERNANCE AND PROCESSES

For the purposes of local government legislation, the company is a municipal entity and its operations and activities shall be subject to the application of the relevant provisions in local government legislation; and in the event of conflict between any provision of this document or the Companies Act and a provision of the Municipal Finance Management Act, the MFMA shall prevail. In the event of conflict between any provision of this document or the Companies Act and a provision of the Municipal Systems Act, this document and/or the Companies Act shall prevail. The Company shall restrict its activities to the purpose for which it was established by its parent municipality in terms of Article 5. The Development Agency shall have no competence to perform any activity which falls outside the functions and powers of its parent municipality as contemplated by Article 5. The Development Agency also shall not be involved in projects and/or activities that are inconsistent with its establishment and strategic objectives focus areas and functions. The CHDA signed a Service Level Agreement with the CHDM in the 2012/13 financial year and thus structured a shared services agreement for internal audit services including the shared Audit Committee.

5.2.1. Governance Structures

The Board of Directors of the Development Agency is managed by its Board of Directors which comprise of 9 members who are the Non-Executive and independent directors and the Executive Director (the CEO). The Directors of the entity during the year and to the date of this report are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Capacity</th>
<th>Gender</th>
<th>Designation</th>
<th>Meetings Attended</th>
<th>Board Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. S Somdyala</td>
<td>Non-executive</td>
<td>Male</td>
<td>Chairperson of Board</td>
<td>6</td>
<td>22 000</td>
</tr>
<tr>
<td>Ms. N Koeberg</td>
<td>Non-executive</td>
<td>Female</td>
<td>Deputy Chairperson</td>
<td>5</td>
<td>19 230</td>
</tr>
<tr>
<td>Ms. N Zonke</td>
<td>Non-executive</td>
<td>Female</td>
<td>Board Member</td>
<td>6</td>
<td>23 600</td>
</tr>
<tr>
<td>Chief S Mtirara</td>
<td>Non-executive</td>
<td>Male</td>
<td>Board Member</td>
<td>5</td>
<td>22 066</td>
</tr>
<tr>
<td>Mr. R Schley</td>
<td>Non-executive</td>
<td>Male</td>
<td>Board Member</td>
<td>5</td>
<td>14 762</td>
</tr>
<tr>
<td>Ms. P Xuza</td>
<td>Non-executive</td>
<td>Female</td>
<td>Board Member</td>
<td>4</td>
<td>9 254</td>
</tr>
<tr>
<td>Ms. N Nqwazi</td>
<td>Non-executive</td>
<td>Female</td>
<td>Board Member</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Mr. M Mene</td>
<td>Non-executive</td>
<td>Male</td>
<td>Board Member</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Mr. B Mhlaba</td>
<td>Executive</td>
<td>Male</td>
<td>Chief Executive Officer</td>
<td>6</td>
<td>473 918</td>
</tr>
<tr>
<td>Mr. A Webb</td>
<td>Non-executive</td>
<td>Male</td>
<td>Board Member</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

R584 830

1. Appointed 6 June 2012
2. Appointed 1 August 2012
3. Resigned 14 August 2012

TABLE 68: CHDA board members
5.2.2. Organisational Arrangements

The above structure shows the operational units in CHDA. The Chief Operations Office is primarily responsible for the management of projects, infrastructure development and skills development programme. A proposal has been drafted to setup a Project Management Office (PMO) responsible for project management.

5.2.3. Organisational Sustainability

The Development Agency as a wholly owned municipality entity will continue to operate as a commercial entity and will derive the following revenue streams from its strategic business unit operations towards sustainability of operations:

- Grant funding related to personnel and resources made available from CHDM in support of the Development Agency;
- Grants and / or loan funding made directly available to the Development Agency by CHDM for purpose of funding of Infrastructure assets of community based projects – e.g. Shiloh and Ncora dairy projects, Qamata irrigation projects, etc.;
- Appointment of the Development Agency as implementing agent for key strategic developmental projects at an agreed fee; and
- Returns from productive asset investments made available for agricultural equipment necessary to expand grain and other crop production necessary to supply agro-processing operations.

**FIGURE 6: CHDA organisational structure**
5.2.2. Risk Management

Within the context of a Development Agency, a number of risks are inherent to the operations of such enterprise. These risks will be mitigated through a combination of the following measures:

- Stringent corporate governance processes;
- Appointment of reputable external auditors mandated to investigate and report on not only the financial records, but also any breaches of internal control systems and unethical conduct;
- Development and implementation of stringent internal control policies and procedures;
- Development and implementation of a quality management system;
- Development and implementation of a stringent financial and management accounting reporting system relevant to the organisation;
- Succession planning;
- Insurance;
- Asset maintenance programmes;
- Staff rotation;
- Active participation in management structures of investment holdings;
- Information technology security measures; and
- Any other measures deemed relevant by management.

There are specific interventions that have been implemented to ensure sound financial management, risk management, supply chain management and ensuring good corporate governance. In meeting the strategic objective “To establish an effective governance procedures and efficient management systems”

This strategic objective also encompasses effective Board oversight and advisory services. Through the procurement of a Company Secretary the agency has fully functional Board sub-committees. Compliance to key statutory requirements with regards to the submissions of the Annual Financial Statements, Annual Report, Budget and Adjustment Budgets.
5.3 KEY PERFORMANCE AREAS – PROGRAMMES

The performance delivery environment remains largely influenced by the District Municipality’s Integrated Development Plan. In this section on the performance delivery environment, the focus will be on interpreting the mandate of the Agency in terms of Key Performance Areas, outlined in work undertaken in Programmes in the various Business Units as follows:

- Programme 1: Corporate Services Unit (Finance, Human Resources);
- Programme 2: Economic and Rural Development Unit (Focus will be on agro-processing and industrialisation of the district);
- Programme 3: Project Management Unit (Focus will be on supporting the CHDM Technical Services & IPED Directorates as well as the Property Development function); and
- Programme 4: Skills Development Unit (Administration unit to manage and administer the Chris Hani Community Skills Fund)

5.3.1. Programme 1: Corporate Services Unit

Purpose of Programme
This programme aims to contribute to the attainment of corporate governance, resourcing and financial sustainability of the Agency. It contains the three administrative functions of Human Resources, Finance and Administration.

Strategic Objectives
- Ensure that effective corporate governance of the organisation is harmonious to the CHDA board charter, memorandum of articles and other relevant codes of good practice;
- Coordination and implementation of CHDA programmes according to the CHDA vision, mission and mandate;
- Human Resources component managed efficiently and in accordance with Labour Relations;
- Efficient management and control of funds; and
- Ensure efficient and effective supply chain management within the Supply Chain Management (SCM) legislation.

Key to Programme 1 during the 2012/13 financial year involved the implementation of the following;

- Procedural processes as mandated by the Municipal Systems Act as amended;
- Identification and amendment of Board of Directors, registered office, auditors, etc;
Appointment of Board and the CEO to drive the implementation of the mandate of the Agency;
Cost containment with utilisation of shared services with the CHDM and CHCDC
Identification of prospective funders, strategic private partners and specialist consultants to development needs; and
On-going legislative and regulatory compliance.

At a Governance level, the Memorandum of Agreement which confirms the mandate of the Agency was completed together with the subsequent approval and signing of the Service Delivery Agreement which ushered amongst others the administration of the Chris Hani Community Skills Development Fund and the project management of the Chris Hani International Investment Summit.

The development and approval of organizational policies and framework to guide systems development and procedures was swift and has been ongoing. Key amongst the Policies developed were the HR Policies, the Supply Chain Management Policy, Investment and Banking Policy, the Board Remuneration Policy for Non-Executive Directors and the Delegations Framework which have greatly assisted the operationalisation and functioning of the Agency.

This has provided critical guidelines for the Agency in establishing basic Standard Operating Procedures for the functional aspects of the CHDA whilst seeking to observe compliance with applicable legislation that governs the management of public funds.

In the development of the 2013/14 Strategic Business Plan, the Risk Management Framework and related Fraud and Corruption Policies were identified as significant gaps in our Governance Framework.

5.3.2. Programme 2: Economic and Rural Development Unit

Purpose of Programme
The purpose of the Economic and Rural Development Programme is to support the implementation of the District Development Agenda through investment promotion, development facilitation and specialised strategic advisory services.

Strategic Objectives
- The implementation of the District Development Agenda is facilitated through the development of the Special Economic Zone action plans;
- The realisation of Priority and Catalytic Projects focusing on secondary and tertiary beneficiation/ sectors such as agro-processing and manufacturing;
Provide investment promotion and development facilitation services through innovative solutions, stakeholder relations and networking strategic events

To achieve the above, a clear linkage to the development strategies reflected in both the CHDM IDP and Corridor Development Plan and value Chain Analysis and Integration (November 2011) documents, is the need for:

Integration of development Agency activities with the coordinated development focus of various stakeholders to ensure optimal targeting of resources and funding into catalytic development projects aimed at alleviation of poverty and unemployment within the region;

Usage of both internal and external expertise through specialist consultants and / or strategic partners to facilitate optimal resource usage and expertise availability;

Provision of a revenue generating asset base within controlled structures to support and maximise the potential of Development Corridor Catalytic Projects to meet the substantial input needs of the Cradock based biofuel project, agro-processing enterprises, etc; and

Self-sustainability through commercial revenue streams; and compliance with the public finance and management statutes.

The last financial year initiated the next phase in the growth and establishment maturity of the CHDA with the initiation of a Project Pipeline starting with the engagement of Elitheni Coal Mine presenting two investment opportunities for the CHDA and the Chris Hani District broadly. This Investment Facilitation track led to the successful organization and hosting of the Chris Hani Investment Summit, effectively triggering the CHDA’s Investment Promotion and Facilitation work.

**5.3.3. Programme 3 – Project Management Services**

*Purpose of Programme*

The purpose of the Project Management Services Programme is to support the planning, execution and monitoring of Infrastructure Development Programmes as well as the Property Development Programmes in the District.

*Strategic Objectives*

- The primary strategic objective is to provide Programme Management monitoring and reporting services in partnership with the District Municipality;
The key focus is to support the management of projects from inception, design and scoping, planning, contracting and execution to an acceptable and successful project closure stage, including archiving; and

The secondary objective is to develop specialised capacity and innovative solutions for the development and management of a State-led Property Portfolio that will house the District Municipality and other Government Departments with the intention of revenue enhancement.

Key to the success of CHDM’s development goals is effective and competent management of development projects. As a result, the CHDA has planned to set up a Project Management Office (PMO) that is solely responsible for this. As part of its key Office Operations, the CHDA seeks to establish a PMO which will anchor the technical support function to the CHDM, starting with the property development (District Office) infrastructure, the bulk infrastructure programme and the government housing programme of the District.

The PMO is budgeted to have the management systems capacity, the technical and systems capacity to facilitate the delivery of project management services, the engagement of Experts and other Specialists to roll-out the Implementation Agent function within an appropriate environment which is conducive for enhancing productivity and efficiencies to effect the service delivery aspirations of the District Municipality. The envisaged Programme Management function aimed at ensuring reliable information, reporting and governance is provided throughout the project cycle. The establishment and operations of the PMO are contained in the “Summary Concept Paper for the Establishment of the Project Management Office” document. The PMO was only conceptualized in the 2012/13 financial year and the first phase implementation will be effected in the next financial year.

5.3.4. Programme 4 – Skills Development Services

Purpose of Programme

The purpose of the Skills Development Services Programme is to support the administration of the Chris Hani Community Skills Development Fund, the establishment of partnerships with other Education and Support Agencies to develop and harness scarce and critical skills at all levels of the economy.

Strategic Objectives

- The administration of the Skills Development Fund on behalf of the District;
- Co-ordination of Career Exhibitions in partnership with institutions of higher learning nationally and FET's located in the province; and
Facilitation and scoping the work of developing of proper administrative systems, building relationships with the Institutions of Higher Learning and SETA's, ensuring that a conducive environment is created for the bursary and learnerships recipients.

The realisation of the District Developmental Agenda with a key focus on Crop Production, Forestry, Tourism, Coal Mining, Livestock improvement, Irrigation schemes, Bio-fuels, Industrialization of the district economic hub need the development of relevant and appropriate sector skills. A District Developmental Agenda requires a firm skills base which is currently a challenge in the District.

In response to this and acknowledgement of education as a societal issue, the Executive Mayor of the District during his State of the District Address on 30 May 2012, pronounced the establishment of a Skills Development Fund with an off-set injection of R2 million. The Fund seeks to improve the skills profile of the district by addressing the scarce skills challenge through financial support to deserving learners from the Chris Hani District Municipal jurisdiction.

The Chris Hani Development Agency, was mandated as the implementing agent of the Skills Fund, and is thus overseeing the administration function. In this regard, the CHDA has operationalized a Skills Development Unit and assisted the CHDM to place and support twenty two (22) young people from Chris Hani District giving them an opportunity of a life time and become economic liberators of their own families and communities. 2013 marked the first real implementation of the community skills development plan for the Chris Hani District.

The Chris Hani Skills Development Fund supported and provided for the placement of 22 young people from the Chris Hani District in Institutions of Higher Learning throughout the country, i.e. the NMMU, UCT, UWC, University of Fort Hare and the University of Johannesburg. Item 12 proudly present a picture of academic excellence by these young people who come from impoverished backgrounds.

Messrs August and Thyala have broken ground with the achievement of 76% in their first year effectively contending to the cum-laude potentials in their respective fields of study with August studying Engineering in Mechatronics in the University of Cape Town whilst Tyhala is studying Agriculture in the Nelson Mandela Metropolitan University.

Whilst the results of the 22 students are not conclusive because of outstanding results, the beneficiaries have performed above expectation given the challenges experienced in the first year of implementation of the Bursary Fund with two of the students having achieved 76% as per above and only three (3) students to date have achieved less than the required 60% margin of retention in the bursary scheme.
CHAPTER 6: AUDITOR GENERAL
AUDIT FINDINGS

COMPONENT A

6.1 AUDIT OPINION FOR THE 2011/2012 FINANCIAL YEAR
Audit Report
Chris Hani District Municipality
For the Year ended 30-June 2012
REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON CHRIS HANI DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction
1. I was engaged to audit the financial statements of Chris Hani District Municipality set out on pages ..., to ..., which comprise statement of financial position as at 30 June 2012, the statement of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer’s responsibility for the financial statements
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of 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, 2011 (Act No. 6 of 2011) (DoRA), as well as for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General’s responsibility
3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for adverse opinion

Trade and other payables
6. Trade creditors and expenditure were understated by R161,7 million (2011: R33,6 million) as the municipality did not account for expenditure and accruals at year-end.

Irregular expenditure
7. The municipality did not implement and maintain an appropriate procurement and
provisioning system as required by the MFMA. The municipality made payments in contravention of the supply chain management requirements which were not disclosed as irregular expenditure, resulting in irregular expenditure being understated by R199,5 million.

Value-added tax receivable
8. The municipality did not have adequate systems in place, to record input value-added tax (VAT) on purchases of property, plant and equipment. The value of the assets is recorded inclusive of the VAT portion in the fixed asset register and the general ledger, instead of the VAT portion being allocated to the VAT input account and this resulted in infrastructure assets being overstated by R27,5 million, while the VAT receivable is understated by the same amount.

Property, plant and equipment
9. The municipality incorrectly accounted for land and buildings for which they do not have the title deeds. This land was transferred to the municipality by the provincial government; however, the title deeds for the land were not transferred. The land does not meet the definition of an asset as it is not probable that economic benefits or service potential will flow to the municipality. This resulted in an overstatement to land and buildings and accumulated surplus amounting to R19,7 million.

Accumulated surplus
10. The municipality incorrectly restated prior year balances to reflect revenue that was charged at the incorrect tariff rates or not charged at all to consumers in the prior year. The municipality incorrectly debited the accumulated surplus balance with R12,9 million. The adjustment represents the value of revenue that should have been billed but was not billed in the prior year. As a result accumulated surplus is understated and the corresponding figure for revenue from services is also understated by R12,9 million.

Corresponding figures
11. During the 2010-11 year, I was unable to obtain sufficient appropriate audit evidence for the following elements:

- Receivables from exchange transactions – R100,2 million
- Trade and other payables – R118 million
- Other Debtors – R24,5 million
- Inventory – R4,2 million
- Employee costs – R3,2 million
- Property, plant and equipment – R3,4 million

12. I was unable to obtain sufficient appropriate audit evidence for the above by alternative means. Consequently, I was unable to determine whether any adjustments to these amounts and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 2010-11 was modified accordingly. My opinion on the current period’s financial statements is also modified because of the possible effect of these matters on the comparability of the current period’s figures.

Receivables from exchange transactions
13. The prior year comparative figure is understated by R34,4 million as the municipality impaired the full amount for consumer debtors and did not calculate the impairment for consumer debtors in accordance with the requirements of IAS 39. My opinion on the
current period’s financial statements is also modified because of the possible effect of these matters on the comparability of the current period’s figures.

Revenue
14. Prior year revenue is understated by R5,6 million as no adequate system of internal control over revenue for water was not in place, as consumers were billed at incorrect tariffs or were not billed at all. As a result, the corresponding figure for revenue and receivables from non-exchange transactions is understated by R5,6 million. My opinion on the current period’s financial statements is also modified because of the possible effect of these matters on the comparability of the current period’s figures.

Expenditure
15. The prior year comparative expenditure amount is overstated by R5,2 million as expenditure was recognised inclusive of VAT when the VAT portion should have been allocated to the VAT input account, or not recognised at all as some suppliers were not registered for VAT. My opinion on the current period’s financial statements is also modified because of the possible effect of these matters on the comparability of the current period’s figures.

Accumulation of immaterial uncorrected misstatements
16. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance:

Statement of financial position
- Trade receivables from non-exchange transactions reflected as R105,6 million in the statement of financial position and note 5 is overstated by R2,6 million
- VAT receivable balance reflected as R18,4 million in the statement of financial position and note 6 is overstated by R237 120

Statement of financial performance
- Impairment losses reflected as R9 million in the statement of financial performance and note 30 is understated by R2,8 million
- General expenditure reflected as R28,3 million in the statement of financial performance and note 35 is understated by R470 700

17. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm or verify the following elements:

Statement of financial position
- Adjustments of R2, 2 million to accumulated surplus reflected as R3, 001 million in the statement of financial position and note 20
- Creditors of R55 592 reflected as R29,6 million in the statement of financial position and note 14
Statement of financial performance
- Government grants and subsidies received of R1.7 million included in the disclosed amount of R799.5 million in the statement of financial performance and note 21
- General expenditure of R412 908 included the disclosed amount of R28.3 million in the statement of financial performance and note 35
- Other income of R84 776 included the disclosed amount of R55.5 million in the statement of financial performance and note 26

18. As a result, we were unable to determine whether any adjustments to these elements were necessary.

Adverse opinion
19. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of Chris Hani District Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA and DoRA.

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

Significant uncertainties
21. With reference to note 50 of the annual financial statements the municipality is a defendant in lawsuits. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

Restatement of corresponding figures
22. As disclosed in note 36 to the financial statements, the corresponding figures for the prior year balance sheet date have been restated as a result of an error discovered during the current year. These corrections were made in the financial statements of the Chris Hani District Municipality at 30 June 2012.

Material impairments
23. As disclosed in note 30 to the financial statements, material losses to the amount of R9 million were incurred as a result of receivables from non-exchange transactions.

Unauthorised expenditure
24. As disclosed in note 44.1 to the financial statements, the municipality incurred unauthorised expenditure of R56.4 million as a result of exceeding the total budgeted amount of expenditure.

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

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

Achievement of planned targets
27. Of the total number of 146 targets planned for the year, 51 were not achieved during the year under review. This represents 35% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
28. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

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

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

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

32. The material findings are as follows:

Usefulness of information
Presentation
33. Improvement measures in the annual performance report for all of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency
34. A total of 22% of the reported targets are not consistent with the targets as per the approved IDP. This is due to the lack of adhering to applicable laws and regulations.

Measurability
Performance targets not specific
35. The National Treasury Framework for managing programme performance information (FMPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 69% of the targets were not specific in clearly
identifying the nature and the required level of performance. This was due to the fact that management was not aware of the requirements of the FMPP.

Reliability of information
Reported performance not valid
36. The FMPP requires that processes and systems which produce the indicator should be verifiable. A total of 20% of the actual reported performance relevant to basic service delivery and infrastructure investment objectives and strategies was not valid when compared to the source information and/or evidence provided. This was due to a lack of standard operating procedures for the recording of actual achievements by senior management.

Reported performance not accurate
37. The FMPP requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 31% of the actual reported performance relevant to basic service delivery and infrastructure investment objectives and strategies were not accurate when compared to source information.

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

Per compliance focus area
Budgets
39. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

40. Quarterly reports were not submitted to the council on the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

Strategic planning and performance management
41. The municipality did not take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the MSA.

Annual financial statements, performance and annual report
42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving an adverse audit opinion.

43. The annual performance report for the year under review does not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.

Human resource management
44. The municipality did not submit quarterly reports on the status of disciplinary cases to the
MEC responsible for local government in the province as required by Disciplinary Regulations for Senior Managers regulation 19(3)(1) and (3).

45. No evidence was provided indicating that the municipality performed background checks on the senior managers that were appointed during the year to ensure that they were not dismissed in the past 10 years for financial misconduct in local government, corruption or fraud as required by MSA section 57A(1) to 57A(5).

Procurement and contract management

46. Goods and services with a transaction value below R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).

47. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a). Two transactions advertised did not state the preference point system to be used.

48. Awards were made to providers who are persons in service of other state institutions and whose directors are persons in service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1). Twenty-seven companies did not declare their interest or connection to persons in the service of the state and were awarded contracts. Similarly, three companies owned by people who are in the service of the state and declared their interest were awarded contracts as well.

49. Appropriate action was not taken against officials and role players in the SCM system where investigations did not comply with the SCM system, as required by SCM regulation 38(1)(b).

50. The municipality did not implement an SCM policy as required by section 111 of the MFMA. The 2011-12 draft SCM policy review was not approved during the period under review.

Expenditure management

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

52. The accounting officer did not promptly inform the mayor in writing, of unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality, as required by section 32(4)(a) of the MFMA.

Conditional grants

53. The municipality did not evaluate its performance in respect of programmes funded by the allocation within two months after the end of the financial year, as required by section 12(6) of DoRA.

54. Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered to National Revenue Fund, as required by section 20(1) of the DoRA.
55. The municipality did not submit, within 20 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No. 34280.

56. The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No. 34280.

**Asset management**

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

**Internal control**

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

**Leadership**

59. Oversight responsibilities regarding the monitoring of internal controls over financial reporting, compliance with applicable laws and regulations were not adequately performed. This resulted in material misstatement in the annual financial statements that were submitted for audit purposes, non-compliance with applicable laws and regulations and also resulted in the information presented in the report on predetermined objectives not being valid, accurate and complete.

60. Leadership failed to implement adequate controls to prevent or detect (and subsequently report) on irregular expenditure and unauthorised expenditure incurred.

**Financial and performance management**

61. The municipality did not prepare reliable and accurate monthly and quarterly financial statements. This is due to not understanding the requirements of the applicable reporting framework and the instability that existed in key positions in the finance department.

62. The municipality did not have updated policies and procedures to support the compliance with the GRAP reporting framework and accounting for transactions in accordance with the reporting framework.

63. The municipality has not implemented controls to ensure that the information supporting the report on predetermined objectives is credible, accurate and complete. As misstatements were identified on the accuracy, validity and of reported performance.

64. The municipality does not perform daily and monthly processing and reconciling of transactions throughout the financial year, as a result material misstatements are identified during the audit and cannot be substantially corrected by management, thereby having a negative impact on the audit outcome.

65. The municipality has not implemented adequate review mechanisms to ensure the report on predetermined objectives and the annual financial statements are reviewed for accuracy.
and completeness prior to submission for audit purposes.

**Governance**

66. The municipality has an audit committee and internal audit unit in place. The recommendations of the audit committee and internal audit unit are not adequately addressed by management and will therefore have a negative impact in addressing control deficiencies that exist in the municipality’s control environment.

**OTHER REPORTS**

**Investigations**

67. An investigation was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on the allegation of possible authorisation of financial transactions and/or payments made on the municipal banking system contrary to the profile of the municipality. The profile provides that two of the four municipal signatories must authorise and release payments. The municipal banking profile was changed by the systems administrator during year ultimately resulting in payments being released and authorised by one signatory. The investigation was still ongoing at the reporting date.

68. An investigation was conducted by the internal audit unit on request of the municipal council on the appointment of service providers without following proper supply main chain process for cleaning and refurbishment of the Cradock Garden of Remembrance and the close relation of a key official within the municipality to the appointed service providers. The investigation was still ongoing at the reporting date.

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*East London*

*30 November 2012*

*Auditor-General*

*Auditing to build public confidence*
6.2 AUDIT OPINION FOR THE 2012/2013 FINANCIAL YEAR

The accounting officer
Chris Hani District Municipality
Private Bag X17121
Queenstown

09 December 2013

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Chris Hani District Municipality for the year ended 30 June 2013

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).

2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and any inconsistencies identified will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.

3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality’s annual report to be tabled.

4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.

5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:

   - Submit the final printer’s proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

   - The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa’s logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
6. Please notify the undersigned Business Executive / Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

[Signature]

Business Executive: ECU

Enquiries: Vicky Ncwoba
Telephone: (043) 709 7200
Fax: (043) 709 7300
Email: vickyn@assa.co.za
Chris Hani District Municipality
Audit Report
For the year ended 30 June 2013
REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND COUNCIL ON CHRIS HANI DISTRICT MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction
1. I have audited the consolidated and separate financial statements of the Chris Hani District Municipality and its subsidiary set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officers’ responsibility for the consolidated financial statements
2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance South African Standards of Generally Recognised Accounting Practice (SA standards of 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, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General’s responsibility
3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Basis for qualified opinion
Accumulated surplus
6. Included in accumulated surplus of R3 146 million (2012: R2 949 million) is an amount of R34.6 million relating to revenue derived from conditional grants. The municipality could not provide sufficient appropriate audit evidence to support a restatement of revenue derived from conditional grants disclosed in note 14 to the financial statements. In
addition, accumulated surplus is overstated due to the following misstatement:

- Expenditure transactions amounting to R1, 7 million that relate to the 2011-12 financial year were incorrectly accounted for in the 2012-13 year.

Consequently, I was unable to determine whether any further adjustments were necessary to accumulated surplus as disclosed in note 14 to the annual financial statements.

Unspent conditional grants and receipts
7. As per paragraph 6 above, the municipality could not provide sufficient appropriate audit evidence to support a restatement of R34, 6 million in unspent conditional grants, as disclosed in note 16 to the financial statements. I was unable to determine whether any adjustment was necessary to restate the comparative figures.

Irregular expenditure
8. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d)(j) of the MFMA. The irregular expenditure disclosed in note 47 to the financial statements is understated in respect of amounts totalling R26, 1 million incurred during the year that were identified during the audit process. Due to the lack of systems and non-availability of sufficient appropriate audit evidence for all awards, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R43 million. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure note.

Cash flow disclosure
9. The recalculated cash flows from generated operations included in the cash flows contained a material variance amounting to R20, 6 million. Sufficient appropriate supporting documentation and calculations were not provided for cash generated from operations. Consequently, the amounts disclosed in the cash flow statement do not fairly present the cash inflows and outflows of the municipality for the current and prior period.

Statement of comparative and actual information
10. GRAP 24: Presentation of budget information in financial statements states that where the financial statements and the budget are not prepared on a comparable basis, a reconciliation identifying separately any basis, timing and entity differences should be included in the comparison of budget and actual amounts. The municipality budget is prepared on a cash basis and reconciliation between the accrual basis and cash basis was not included in the annual financial statements. Consequently, the disclosure of the budget versus actual comparison is not appropriate or complete in terms of the requirements.

Aggregation of immaterial uncorrected misstatements
11. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, the statement of financial performance and notes to the annual financial statements.
Statement of financial performance:

- General expenditure as disclosed in note 24 to the financial statements is overstated by R1, 7 million.

12. In addition, I was unable to obtain sufficient appropriate audit evidence due to individually immaterial amounts that were unsubstantiated and I was unable to confirm the following elements by alternative means.

13. Statement of financial position:

- Receivables from non-exchange transactions included in note 11 to the financial statements.
- Unspent conditional grants and receipts included in note 16 to the financial statements.

14. Statement of financial performance:

- Government grants and subsidies as disclosed in note 21 to the financial statements.

Aggregation of immaterial corresponding figures

15. The prior year financial statements as a whole were materially misstated by R6 million and R5, 2 million due to the cumulative effect of various individual immaterial uncorrected misstatements making up the statement of financial position and the statement of financial performance. These misstatements reported in my report on the financial statements for the year ended 30 June 2012 were not addressed in the current year. My opinion on the current period’s financial statements is also modified because of the possible effect of these matters on the comparability of the current period’s figures.

Opinion

16. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Chris Hani District Municipality and its subsidiary at 30 June 2013 and its financial performance and cash flows for the year then ended, and the requirements of the MPMA and DoRA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

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

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

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

21. The material findings are as follows:

Usefulness of information

Presentation

Measures taken to improve performance not disclosed

22. Section 46 of the Municipal Systems Act requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 67 % measures taken to improve performance as disclosed in the annual performance report. The municipality’s records did not permit the application of alternative audit procedures due to the absence of systems to report on deviations from planned performance.

Measurability

Performance targets not specific

23. The National Treasury FMPPi requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 47% of the targets of programmes that are significant in relation to the overall mandate of the municipality were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was not aware of the requirements of the FMPPi.

Reported performance not reliable

24. The National Treasury FMPPi requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to basic service delivery and infrastructure development was not reliable when compared to the source information and/or evidence provided. This is due to a lack of review of the validity, accuracy and completeness of the reported achievements against the source documentation.

Compliance with laws and regulations

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

Strategic planning and performance management

26. The parent municipality did not take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
Audit committee
27. An audit committee was not established by the municipal entity, as required by section 166(1) of the MFMA.

Internal audit
28. An internal audit unit was not established by the municipal entity, as required by section 165(1) of the MFMA.

Budgets
29. Expenditure was incurred by the parent municipality in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
30. Sufficient appropriate audit evidence was not obtained that the parent municipality had submitted the quarterly reports to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
31. Monthly budget statements were not submitted, by the municipal entity, to the mayor as required by section 87(11) of the MFMA.

Conditional grants received
32. The parent municipality did not evaluate its performance in respect of programmes funded by the municipal infrastructure grant (MIG), municipal systems infrastructure grant (MSIG) and the finance management grant (FMG), within two months after the end of the financial year, as required by section 12(5) of DoRA.
33. The parent municipality perform preparations for the next financial year and the 2014-15 financial year, as required by section 26 of DoRA, in that the final allocations were not submitted to the National Treasury by 7 December 2012.

Expenditure management
34. Monies owing by the parent municipality and the municipal entity were not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
35. Reasonable steps were not taken by the parent municipality to prevent irregular and unauthorised expenditure, as required by section 62(1)(d) of the MFMA.
36. The parent municipality did not comply with section 32(4) in that the accounting officer did not promptly inform the mayor and the MEC for local government in the province in writing of the following,
   a) Any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
   b) Whether any person was responsible or investigated for such unauthorised, irregular or fruitless and wasteful expenditure.
   c) The steps that had been taken to recover or rectify such expenditure and to prevent recurrence of such expenditure.

Annual financial statements, performance and annual reports
37. The financial statements submitted for auditing of the parent municipality and the municipal entity were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements in property, plant and equipment and
accumulated surplus and subsidies received identified by the auditors in the submitted financial statements were subsequently corrected; however, the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

38. The annual performance report of the parent municipality did not contain a comparison of the performance of the municipality and of each external service provider, with development priorities, objectives and performance indicators set out in its integrated development plan, as required by section 46 of the MSA.

Procurement and contract management
39. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
40. Construction projects were not always registered by the parent municipality with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation.
41. Contracts and quotations were awarded by the parent municipality 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 SCM regulation 13(c).
42. Awards were made by the parent municipality to providers who are in the service of other state institutions, in contravention of section 112(1) of the MFMA and SCM regulation 44(b).
43. Goods and services with a transaction value of below R200 000 were procured by the municipal entity without obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
44. Quotations were accepted by the municipal entity from prospective providers who are not registered as accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
45. Goods and services of a transaction value above R200 000 were procured, by the municipal entity, without inviting competitive bids, as required by SCM regulation 19(a).
46. Invitations for competitive bidding were not always advertised by the municipal entity for required minimum period of days as required by SCM regulation 22(1) and 22(2).

Human resource management and compensation
47. A consolidated report on compliance with prescribed competency levels was not submitted by the parent municipality to National Treasury and the relevant provincial treasury by 30 January and 30 July, as required by Regulations on minimum competency levels regulation 14(2)(a).

Consequences management
48. Fruitless and wasteful expenditure incurred by the parent municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
49. Irregular and fruitless and wasteful expenditure was not always recovered by the parent municipality from the liable person, as required by section 32(2) of the MFMA.

Asset and liability management
50. An adequate management, accounting and information system which accounts for assets was not in place at the parent municipality, as required by section 63(2)(a) of the MFMA.
Internal control
51. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership
52. Oversight responsibilities regarding the monitoring of internal controls over financial reporting, compliance with applicable laws and regulations were not adequately performed. This resulted in material misstatements in the annual financial statements that were submitted for audit and non-compliance with applicable laws and regulations. It also resulted in the information presented in the report on predetermined objectives not being valid, accurate and complete. Leadership has not implemented adequate controls to prevent or detect (and subsequently report on) irregular expenditure incurred.

Financial and performance management
53. The municipality did not prepare reliable and accurate monthly and quarterly financial statements and did not perform daily and monthly processing and reconciling of transactions throughout the financial year, with the result that material misstatements were identified during the audit which could not be substantially corrected by management, thereby having a negative impact on the audit outcome.
54. The municipality has not implemented controls to ensure that the information supporting the report on predetermined objectives is credible, accurate and complete.
55. The municipality has not implemented adequate review mechanisms to ensure that the report on predetermined objectives and the annual financial statements are reviewed for accuracy and completeness prior to submission for audit.

Governance
56. The municipality has an audit committee and internal audit unit in place. The recommendations of the audit committee and internal audit unit were not adequately addressed by management. The implementation of recommendations made by governance structures remains a significant deficiency in addressing control deficiencies that exist in the municipality’s control environment.
OTHER REPORTS
Investigations

57. At the request of the municipal council, an investigation was conducted into the appointment of service providers without following proper SCM processes for cleaning and refurbishing the Cradock garden of remembrance and into the close relationship of a key official with the municipality with the appointed service providers. The investigation was still ongoing at the reporting date. Another investigation was conducted during the year into irregularities in the implementation of the Expanded Public Works Programme. This investigation was still ongoing at year-end.

Auditor-General

East London

11 December 2013

“CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT”
<table>
<thead>
<tr>
<th><strong>Accessibility indicators</strong></th>
<th>Explore whether the intended beneficiaries are able to access services or outputs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accountability documents</strong></td>
<td>Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.</td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td>The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.</td>
</tr>
<tr>
<td><strong>Adequacy indicators</strong></td>
<td>The quantity of input or output relative to the need or demand.</td>
</tr>
<tr>
<td><strong>Annual Report</strong></td>
<td>A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor General.</td>
</tr>
<tr>
<td><strong>Approved Budget</strong></td>
<td>The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.</td>
</tr>
<tr>
<td><strong>Baseline</strong></td>
<td>Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.</td>
</tr>
<tr>
<td><strong>Basic municipal service</strong></td>
<td>A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.</td>
</tr>
<tr>
<td><strong>Budget year</strong></td>
<td>The financial year for which an annual budget is to be approved – means a year ending on 30 June.</td>
</tr>
<tr>
<td><strong>Cost indicators</strong></td>
<td>The overall cost or expenditure of producing a specified quantity of outputs.</td>
</tr>
<tr>
<td><strong>Distribution indicators</strong></td>
<td>The distribution of capacity to deliver services.</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td>Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.</td>
</tr>
<tr>
<td><strong>General Key performance indicators</strong></td>
<td>After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>The results of achieving specific outcomes, such as reducing poverty and creating jobs.</td>
</tr>
<tr>
<td><strong>Inputs</strong></td>
<td>All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.</td>
</tr>
<tr>
<td><strong>Integrated Development Plan (IDP)</strong></td>
<td>Set out municipal goals and development plans.</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
</tbody>
</table>
| **National Key performance areas**     | • Service delivery & infrastructure  
|                                        | • Economic development  
|                                        | • Municipal transformation and institutional development  
|                                        | • Financial viability and management  
|                                        | • Good governance and community participation |
| **Outcomes**                           | The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve". |
| **Outputs**                            | The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area. |
| **Performance Indicator**              | Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered) |
| **Performance Information**            | Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure. |
| **Performance Standards:**             | The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor. |
| **Performance Targets:**               | The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period. |
| **Service Delivery Budget Implementation Plan** | Detailed plan approved by the mayor for implementing the municipality’s delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included. |
**Vote:**

One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.

Section 1 of the MFMA defines a “vote” as:

a) *one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*

b) *which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*
APPENDICES

APPENDIX A

COUNCILORS, COMMITTEE ALLOCATION AND ATTENDANCE

ELECTION OF COMMITTEES OF COUNCIL

In terms of Section 80 of the Municipal Structures Act, No. 117 of 1998, (1) if a municipal council has an Executive Committee or Executive Mayor, it may appoint in terms of Section 79, Committees of Councilors to assist the Executive committee or Executive Mayor.

(2) Such Committees may not in number exceed the number of members of the executive committee or mayoral committee.

(3) The executive committee or executive mayor---

(a) Appoints a chairperson for each committee from the executive committee or mayoral committee;

(b) may delegate any powers and duties of the executive committee or executive mayor to the committee:

(c) is not divested of the responsibility concerning the exercise of the power or the performance of the duty: and

(d) may vary or revoke any decision taken by a committee subject to any vested rights.

(4). Such a committee must report to the executive committee or executive mayor in accordance with the directions of the executive committee or executive mayor.

The following are the existing Standing Committees of council:

- Finance and Fiscal Committee;
- Integrated Planning & Economic Development Committee;
- Governance and Institutional Committee;
- Health & Community Services Committee;
- Infrastructure Committee
Committee Composition

FINANCE AND FISCAL COMMITTEE
- PLATA SITHEMBELE DAVID - PORTFOLIO HEAD
- NONTSELE MNCEDISI
- MANDILE PRINCE PHILLIP
- NDYUMBU THANDEKA
- MDLELENI KHANYISA
- JIYOSE LAMLA
- MAGWASHU NONGAZI GLADYS
- BULA MZWANDILE NELSON

HEALTH AND COMMUNITY SERVICES COMMITTEE
- NONZUKISO MATIWANE - PORTFOLIO HEAD
- NOQA LULAMA ELIZABETH
- NOBONGOZA HUMPHREY
- MASYOLO ZONDELWA
- LIWANI SIBHA
- BOKUVA VUKILE ARCHIBALD
- NTONI BUYISILE OLIVER

GOVERNANCE AND INSTITUTIONAL DEVELOPMENT COMMITTEE
- SHWENI ZENZILE RAYMOND - PORTFOLIO HEAD
- NYHUKWNANA NOMVELISO
- DNYANTYI S. R.
- MBOTHOLISHI ZUKILE
- NTAKANA SIYAVUMA
- ROSKRUGE NONDUMISO
- DELIWE ZANEMVULA CHRISTOPHER
- VENSKE ROBERT WILHELM

INTEGRATED PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE
- NKWENTSHA-GUNUZA LINDIWE - Portfolio Head
- VIMBAYO KHOLISWA
- ERASMUS FRANS
CONSOLIDATING OUR DEMOCRATIC GAINS FOR INCLUSIVE GROWTH AND DEVELOPMENT

CONSOLIDATED ANNUAL REPORT

JENTILE MLAMLi
KALOLO DUMISA
NQUMA NOMBUIYISELO PATRICIA
MBOLO SKOSANA

INFRASTRUCTURE COMMITTEE

XUMA MTHEHELI - Portfolio Head
NOBONGOZA THANDUXOLO PETER
GELA WONGAMA
GONIWE NYAMEKA
QAMNGWANA MTHANDAZO
NDLEBE NOMBUIYISELO SELKA
NQIQHI KAYALETHU
RECOMMENDATIONS OF MUNICIPAL AUDIT COMMITTEE

Audit Committee Members and Attendance of Meetings

The AC consists of the members listed hereunder and meets at least four (4) times per annum as per its terms of reference. During the current reporting period five (5) meetings were held. All the members of the AC are independent.

Details of meetings attended during the year then ended are:

<table>
<thead>
<tr>
<th>NAME</th>
<th>NO OF MEETINGS ATTENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. A. Yeboah{ ACCA, MSc (UK)} (Chairperson)</td>
<td>5</td>
</tr>
<tr>
<td>Mrs. T. Putzier B.COM (UCT)</td>
<td>4</td>
</tr>
<tr>
<td>Ms. Z. Madikazi CA(SA)</td>
<td>4</td>
</tr>
</tbody>
</table>

AC Responsibilities

The AC’s role is to assist the Municipality in attending to matters affecting both financial administration, Internal and External Auditing and other oversight responsibilities as outlined in Sec 166 (2) (a) of the MFMA. It strives to achieve this by operating within the AC Charter which was adopted by the Committee.

Internal Control Issues

Good corporate governance principles dictate that risks and deficiencies identified and reported should be timeously addressed.

In view, thereof, Management addressed risk management identification by utilizing the skills of the Internal Audit unit however risk assessment for the year under review was not conducted timeously and that was a hindrance to an effective risk management process. Management was advised by the Audit committee to appoint a Risk Manager to coordinate the risk management activities.

The Effectiveness of Internal Audit

In line with the MFMA and the King III Report on Corporate Governance, the internal audit function provides Management and the AC with assurance that the internal controls are
appropriate and effective. This is achieved by means of risk management process, assessment of internal controls as well as identification of corrective actions and suggested enhancements to the controls and processes.

The Internal Audit unit conducted and completed the following internal audit projects:

- ICT
- HR
- S71 reports
- S72 reports
- Budget review
- Follow ups – Internal Audit reports
- Follow ups – External Audit report
- Follow ups – Risk register

The AC confirms that after conducting Internal Audit Assessment, the unit could be relied upon by the AC in performing its oversight duties.

**CHDM AS A WATER SERVICES PROVIDER (WSP)**

In our previous report we recommended a total review of the agreements between CHDM and the Local Municipalities concerning water services provision. Even though review of contracts had been made, the administration of water services still remained the responsibility of CHDM until the year end. Managing water provision at Local Municipalities level by CHDM had generally been poor.

**Evaluation of Annual Financial Statements**

Provision of annual financial statements (AFS) by management and its subsequent review by the committee needs to comply with time schedules to achieve maximum effect, even though the annual financial statement were submitted to Internal audit and Audit committee, time was not sufficient to do the thorough review.

The committee appreciated the early submission of the Annual financial statements and the improved audit opinion but still concerned with the internal control environment and the need to enhance the risk management processes.

The committee further recommended that management should prepare monthly management accounts, which will culminate into quarterly financial statements for audit committee review. This is the only way to eliminate delays in preparing AFS at year end annually.
The AC agrees and accepts the Office of the Auditor General’s conclusions (report) on the annual financial statements and is of the opinion that the audited annual financial statements be accepted.

New developments

The term of office for the audit committee expired in June 2013 and the extension was deemed necessary which commenced in July 2013 to September 2013. The new audit committee has been appointed. The outgoing committee would like to express its appreciation for the time served at Chris Hani in particular, and the Central Cluster.
VOLUME II: ANNUAL FINANCIAL STATEMENTS