

# CHAPTER 1: MUNICIPAL OVERVIEW

This Annual Report reflects on the performance of the Emfuleni Local Municipality against pre-determined objectives, as well as on achievements obtained and challenges encountered by the municipality during the period under review.

The Annual Report is structured into the following 5 Chapters:

- Chapter 1 of the report provides an overview of the municipality, and a brief summary of key service delivery imperatives;
- Chapter 2 is Good Governance and Public Participation ;
- Chapter 3 is on the implementation of the municipality's Service Delivery and Budget Implementation Plan ("SDBIP");
- Chapter 4 includes the Human Resource Administration and Organizational Development aspects of the municipality;
- Chapter 5 are the unaudited financial statements of the municipality; and
- Chapter 6 appendices relating to associated chapters of the Annual Report.

Emfuleni Local Municipality's Annual Report for the period 1 July 2017 to 30 June 2018 is presented in compliance with Section 121 of the Local Government: Municipal Finance Management, 2003 (Act No. 56 of 2003) and read with section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and Treasury Regulations.

## 1.1 MUNICIPAL OVERVIEW

Emfuleni Local Municipality (ELM) is one of the three local municipalities that constitute the Sedibeng District Municipality. It is the Western-most local municipality of the district, which covers the entire southern area of the Gauteng Province extending along a 120 kilometres axis from east to west. It covers an area of 987.450 km<sup>2</sup>.

The municipality has two main business districts, namely, Vereeniging and Vanderbijlpark. It forms the "heartland" of what was formerly known as the Vaal Triangle, renowned for its contribution to the iron and steel industry in South Africa.

It comprises of six large townships namely Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso. The other ten small settlements that are suburban in nature and are within a six kilometres radius of the above towns: they are Bonanne, Steel Park, Duncarville, Unitas Park, Arcon Park, Sonlandpark, Waldriff, Rust-ter-Vaal, Roshnee and Debonairpark.

### 1.1.1 Population, Environmental and Economic

Year	Population By Sex		Population Group By Age			Total Population
	Males	Females	0-14	15-64	65 -	Total
2016	361 692	371 752	188 801	474 865	69 779	733 445
2011	354 862	366 800	184 425	501 786	35 453	721 663

(Source: Stats SA 2011 and Community Survey 2016)

Year	Population Group					Total Population
	Blacks	Whites	Coloreds	Asians/Indians	Other	Total
2016	625 778	90 996	7 368	7 368	-	733 445
2011	616095	86948	8356	7078	3186	721 663

(Source: Stats SA 2011 and Community Survey 2016)

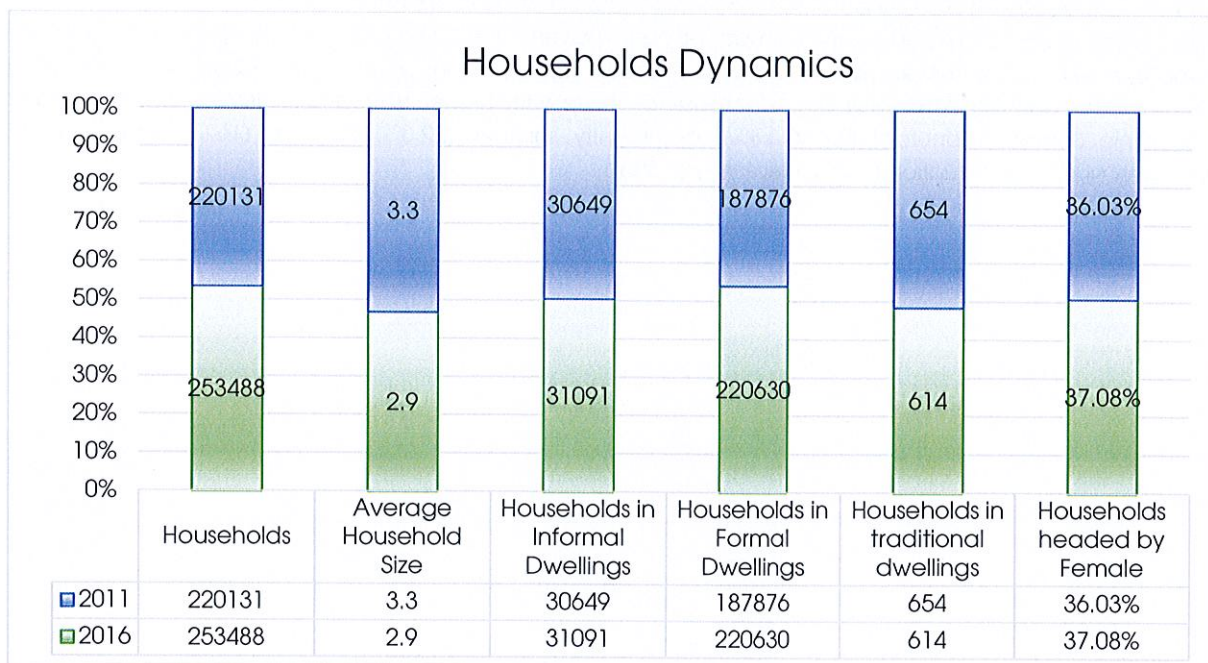
The two tables above show the distribution of population by sex, age and the population groups for the Census 2011 and Community Survey (CS) 2016. According 2016 Community survey the population of Emfulenei Local municipality is totaled at 733 445 which is an increase from 2011.

Population by age groups for Census 2011 and CS 2016 shows slight increase in population between 0-14 years, slight decline in population between the ages of 15-64 years for the CS 2016 compared to Census 2011. While for persons aged 65years upwards considerable population increase is noted from 2011 to 2016. The distribution of population by sex indicate that for both Census 2011 and CS 2016 ELM ratio of males per 100 females as 97.3 in CS 2016 and 96.7 Census 2011.

Black African population is dominating in Emfulenei Local Municipalities, followed by White, Coloureds and Indian/Asian populations respectively.

Community Survey 2016 further indicated data on number of children in Emfulenei who are 18 years and less who either lost only one parent or both parents. In 2016 there were 13 114 being paternal orphans 6 350 being maternal orphans and 3 532 double parental orphans.

### 1.1.2 Households



**Source: Stats SA 2011 and Community Survey 2016**

The above graph shows the number of households and the average household size for Emfuleni between the periods, 2011 and 2016. The total number of household has increased from 220 131 to 253 488 between the two periods while the average household size reflects a slight decrease from 3. 3 to 2. 9.

The graph also indicates the distribution of households in Emfuleni by type of main dwelling. Emfuleni is dominated by households in formal dwellings. Households in informal dwellings follow while those in traditional dwellings and other types of dwellings reflect the lowest proportions.

### 1.1.3 Socio- Economic Status

Year	Employment		Dependency Ratio Per 100 (15-64)	Level of Poverty			Education	
	Unemployment rate	Youth unemployment rate		Poverty headcount	Poverty Intensity	No schooling	Completed Grade 12	Higher education
2016	-	-	46.6	3.2%	43%	4.1%	36.1%	11.9%
2011	34.7%	45.0%	43.8	3.4%	42.3%	4.0%	32.4%	12.9%

**(Source: Stats SA 2011 and Community Survey 2016)**

The table indicates the Unemployment rate of 34.7% in Emfuleni Local Municipality and Youth unemployment rate aged between 15-34 years is calculated at 45.0%. Dependency ratio showing the number of dependents, aged zero to 14 and over the age of 65, to the total population, aged 15 to 64 has

increased from measure 43.8% to 46% in Emfuleni .However Poverty Trends according to Community survey shows slight decline in poverty between 2011 which was 3.4 and in 2016 became 3.2.

The figures were calculated using the upper-bound poverty line (UBPL) of R992 per person per month (pppm) in 2015 prices. There was 3.7 % increase of proportion of persons who completed Grade 12 between Census 2011 and CS 2016, and slow decrease of those with higher educational level. Emfuleni Main Economic Sectors: Manufacturing (40.8%), community services (22.3%), finance (16%), trade (7.4%), transport (4.4%), construction (3.5%), electricity (3.3%).

#### 1.1.4 Overview of Neighborhoods within Emfuleni Municipality

Overview Of Neighborhoods Within Emfuleni Municipality		
SETTLEMENT TYPE	FORMAL DWELLING UNITS	POPULATION
<b>TOWNS</b>		
Vanderbijlpark	29 998	95 844
Vereeniging	31 113	99 783
Sebokeng	51 546	218 511
Boitumelo	4 809	17 688
Sharpeville	10 497	37 596
Evaton	28 614	132 582
<b>Subtotal</b>	<b>156 577</b>	<b>602 274</b>
<b>TOWNSHIPS</b>		
Vanderbijlpark	23 070	50 349
Arconpark, Sonlandpark, Three Rivers and extensions	7 677	19 032
Three Rivers East and Extensions, Sebokeng and units	52 323	221 055
Evaton and Extensions, Evaton West	28 614	132 852
Extensions, Sharpeville and Extensions	10 497	37 596
Bophelong and Extensions, Boipatong and Extensions	18 216	46 089
<b>Subtotal</b>	<b>140 199</b>	<b>489 873</b>
<b>RURAL RESETTLEMENTS</b>		
Lasiandra, Mantervrede, Van Waartshof	303	747
Stephano Park, Stadrus, Houfkop	348	1437
<b>Subtotal</b>	<b>651</b>	<b>2184</b>
<b>INFORMAL SETTLEMENTS</b>		
Loch vaal/Barrage, Boiketlong, Lybya	3 546	10542
Vaalower, New Village, Sebokeng Zone 7	150	25191
Sonderwater, Sebokeng zone 24	No official stats figures available	No official stats figures available
<b>Subtotal</b>	<b>3 696</b>	<b>35 733</b>
<b>Total</b>	<b>721 633</b>	

### 1.1.5 Natural Resources

<p>Natural Watercourses; Upper Barrage Catchment area in the Vaal River.</p>	<p>Watercourses define uninterrupted greenbelts with ample opportunities to develop recreational open spaces to generate greater business opportunities and employment. The Vaal River forms the southern boundary of ELM and its strategic location affords it many opportunities for tourism and other forms of economic development</p>
<p>Heritage and Historical precincts.</p>	<p>ELM is rich in history as it encapsulates the South African War with the signing of the peace treaty in Vereeniging, heritage assets such as the Sharpeville Monument and the liberation struggle epitomized by the signing of the Constitution of the Republic of South Africa (Act 106 of 1996) in Sharpeville.</p>
<p>Rich coal fields close to the Vaal River.</p>	<p>The discovery of coal close to the Vaal River led to the establishment of Vereeniging in 1892 and in 1941 a new Iron and Steel works for ISCOR was built in Vanderbijlpark and also attracts other industries that contributed to employment and economic growth of the area.</p>

## 1.2 SERVICE DELIVERY

### 1.2.1 Electricity

Emfuleni Local Municipality is responsible for providing electricity in the Vanderbijlpark, Bophelong, Boipatong, Vaal Oewer, Ironsyde, Eatonside, Roshnee, Rust-ter-Vaal, Tshepong and Vereeniging areas. Eskom has a license to provide electricity in the remaining areas.

***The municipality's electricity infrastructure is characterized by the following:***

Item	Quantity
Primary substations	38
Secondary substations	636
Miniature substations	505
High voltage cables (m)	80,488
High voltage overhead lines (m)	88,782
Low voltage cables (m)	1210,445
Low voltage overhead lines (m)	635,782
Streetlights	24 151
High mast lights	630
Traffic lights	131
Prepaid electricity meters	47 200
Smart meters	5805
Conventional electricity meters	10 500

#### ***Electricity Bulk Purchases***

In accordance with the latest statistics reported to National Energy Regulator of South Africa (NERSA) there are approximately 69330 consumers of which 63566 are residential and agricultural. The residential and agricultural consumers consume approximately 20% of the total energy distributed by the municipality. The other 80% of electricity is consumed by the industrial and business consumers.

#### ***Energy Efficiency and Green Energy Initiatives***

ELM adheres to the international drive for energy efficiency and utilizes electricity equipment that has the highest possible level of efficiency. This includes low loss transformers and the optimization of cable and overhead line systems to reduce "losses" to the minimum. Further use is made of more energy efficient lighting sources for public lighting (street lighting as well as traffic signals).

Ninety five percent (95%) of the street lighting has been replaced with more energy efficient. In 2017/18 financial year, 780 lamps were replaced with LED lighting. The replacement to date has already led to a saving of 60% of the streetlight energy consumption of the previous year. Furthermore with the change in technology the municipality is piloting LED lights as an initiative to save energy. The municipality also encourages the developers of new areas to make use of energy efficient building methods as well as solar power systems.

### ***Illegal connections***

In dealing with illegal connections, the municipality has installed special locking mechanisms in most of the meter boxes in the area. The aim is to reduce the chances of consumers connecting themselves illegally onto the reticulation system and also to keep the meter boxes locked at all times for the safety of the households situated near these meter boxes. The municipality has embarked on installation of robust doors in the substations to curb the theft and vandalism.

The replacement of faulty prepaid meters and bypassed meters with split meters were carried out in all Vereeniging and Vanderbijlpark Municipal flats. The municipality is currently rolling out the smart meter and to date 5805 smart meters are installed in SE7, SE3, CE2, Falcon Ridge and Three Rivers.

The load control system was installed in almost all the houses that are supplied with electricity by the municipality. This system is used for the management of energy consumption at peak times of electricity usage. The system also reduces the cost of electricity by shifting the consumption of energy from the very expensive peak times to the relatively lower cost in standard or off peak times.

### ***Free Basic Electricity***

Free Basic Electricity (FBE) is provided to all registered indigents at 50kWh per month. FBE is provided to approximately 3400 consumers on a monthly basis.

#### **1.2.2 Potable Water**

Emfuleni Local Municipality supplies potable water to all informal and formal settlements in accordance with the National Water Act, 1998 (Act No. 36 of 1998). The purpose of the National Water Act is to ensure that South Africa's water resources are protected, used, developed, conserved, managed and controlled in ways which take into account factors such as:

- Meeting the basic human needs of present and future generations;
- Promoting equitable access to water;
- Promoting the efficient, sustainable and beneficial use of water in the public interest, and
- Providing for growing demand for water use.

ELM's potable water infrastructure includes 2882 km of potable water reticulation network, 14 528 water network valves, 1482 fire hydrants, 99 pressure reducing valves, and 15 reservoirs.

### ***Bulk Water Purchases***

Emfuleni's total bulk water demand was 93,254,354kl at a cost of R 821 476 324.72 for the year, which is a growth of 1.87% on last year's demand.

Physical water losses for the reported financial year was mainly due to network operations and economical losses was caused by faulty metres. Total distribution losses by June 2018 amounted to R 227 503 649, which indicates 1.10% increase in water loss as compared to previous financial year

### ***Achievements and Challenges***

In compliance with the Water Act, the National Department of Water and Sanitation (DWS) has implemented IRIS Water Systems to regulate the compliance of Water Services Authorities. The Blue Drop System evaluates the total management process of potable water regarding budget, planning, operations, water demand conservation, water quality, monitoring and evaluation.



Other initiatives include the installation of 149 000 smart water meters which is aimed at enhancing accurate billing; assist with network leak detection and improving the public satisfaction. The initiative is still halt due to court verdict.

The municipality has installed 149 000 smart water meters which is aimed at enhancing accurate billing; assist with network leak detection and improving the public satisfaction. The project's pilot installations will start in August 2018 after the official launching of the project.

ELM and Rand Water signed a co-operation agreement for the implementation of Water Demand and Conservation initiatives. This project intends to implement measures that will reduce water losses in the network through active pressure management and retrofitting of internal networks.

The municipality has also installed 42 standpipes in the Boiketlong Settlement with funding assistance from the national department of Cooperative Governance and Traditional Affairs. This project created 60 job opportunities for local community members.

In terms of 2017/2018 financial year, the department managed to attend to the following activities.

- 80% of Pressure Reducing valves (PRV) were serviced
- Replaced 707 faulty/stolen water meters;
- Repair 2480 pipe bursts, and
- Attend to a total 14511 water complaints (spillages).

The municipality, as part of the strategic plan, continues to address challenges that affect service delivery due to the theft of brass water meters, vandalism of pressure reducing valves which resulted in increased water pressures with subsequent pipe bursts, ageing infrastructure etc.

### **1.2.3 Sanitation Services**

Sanitation Services in the municipality ensures that water resources are protected, used, developed, conserved, managed and controlled as per National Water Act (Act no 36 of 1998). This is done in order to ensure that the following factors are achieved:

- Collection, conveyance and treatment of waste water;
- Reducing and preventing pollution and deration of water resources;
- Protecting aquatic and associated eco system and their biological diversity, and
- Promoting dam safety.

The municipality renders 100% sanitation services to formal settlements. Sanitation provision is still a challenge in areas that are not yet formalized as townships, but they do make use of Pit / Long drop toilets. The sanitation gravity network provides waterborne sewer connections to 230 000 stands .The infrastructure consists of 3000 km of gravity sewer pipe lines, 33 328 sewerage manholes, 44 sewerage pump stations, and 34 km sewer pump pipe-lines.

During the reported financial year several initiatives were taken enhance service delivery .Scada System was upgraded, maintenance of telemetry system for sewer and security measures were installed at pump stations. The following achievement were noted:

- 1163 m of sewer pipeline Replaced
- 2114 length of sewer pipes were cleaned,
- 9700 sewer spillages and blockages complaints were resolved,
- Replaced 95m meters of the 350 mm diameter outfall line at Union Street.
- Module 6 and 7 of Sebokeng water care works which is part of Sedibeng Regional Sewer Scheme is in progress

Measures are put in place to address the challenges such as ageing infrastructure, shortage of human resources, lack of capital funding for upgrading of waste water care works and replacement of outfall sewer lines. Emfuleni received grant funding for 2018/19 Financial Year for refurbishing of sewer pump stations. The

challenges in sludge treatment at Sebokeng, Rietspruit and Leeuwkuil will be addressed under Sedibeng Regional Sanitation Scheme.

#### 1.2.4 Roads and Storm Water

The Roads and Storm Water function is responsible for the planning, providing and maintenance of municipal roads and storm water infrastructure network. The functions are categorised into Planning and Projects, Operations and Maintenance Divisions. There are three (3) maintenance depots which are situated in Vanderbijlpark, Vereeniging and Sebokeng regions. These depots together are responsible for the cumulative maintenance of 1 510km of asphalt roads, 1 045km gravel roads, 158 445m<sup>2</sup> road markings and 14 602 road signs in order to provide a functional roads network.

##### *Achievements and Challenges*

In regards to annual maintenance of roads and storm water, the table below indicates achievements for 2017/18 financial year.

Key Activities	Actual Achievement
Road Re-sealing	2.96 km
Potholes patching	13 759.27 m <sup>2</sup>
Stormwater catchpits cleaned	1 554 no.
Concrete channels cleaned	414 m
Stormwater concrete pipes cleaned	2 967m
- Roads Marking Maintained	17 738.69m <sup>2</sup>
Road traffic signs replaced	343 no.
Gravel Roads Maintained	110.2 km
Gravel channels cleaned	146 m

##### **Challenges**

There is backlog on refurbishment /maintenance of the municipal tar roads .The municipality is in a process of addressing the challenge before it can reach deeper level of deterioration and affect the entire pavement structures.

Lack of adequate yellow fleet, white fleet, small plant and the shortage of labour component, contributed to failure to reach annual targets.

Challenges that were faced by municipality of poor availability of maintenance plant and machinery were addressed.

##### **Achievements**

Positively, the municipality managed to align the road maintenance programmes rehabilitation programmes such as gravel base layer repairs, surface layer rejuvenation and resealing activities with the budget allocation.

The intervention from provincial Roads and Transport in the program of patching potholes and re-gravelling our roads has given the Emfuleni Roads & Stormwater a relief as the shortage of resources has been a major challenge.

*Practically, as is now* the programme is achievable through the use of hired plant and machinery. The only drawback is the high cost factor which affects the effectiveness, efficiency and economic aspects of the maintenance budget.

Taking into account the current size of the workforce available, which has about 79% vacant positions, the municipality is looking at recruiting trained personnel and even at expediting the process of acquiring the training and skills development programmes for existing persons.

### **1.2.5 Solid Waste and Landfill Management**

Solid Waste Management in Emfuleni Local Municipality is categorized as follows: households' collections, illegal dumps, businesses and industrial refuse collection, informal settlements, CBD cleansing, and landfill sites operations and management.

Total of 189, 659 of Solid waste is collected once a week from all municipal formal areas. The remainder of the households represents the informal settlements that are serviced through the removal of illegal dumps. The municipality curbside collection is on an average of 47% and below set target on weekly basis in all formal households. Solid waste generated by businesses is collected on a daily basis in the Vanderbijlpark, Vereeniging area, and all township areas. Street sweeping services are also being done daily in Vereeniging, Vanderbijlpark (and outer business centers), Sebokeng taxi rank and all main roads.

The following operational landfill sites are operated and managed in Emfuleni Local Municipality:

- Boitshepi Landfill site; calculated lifespan to final closure: 3.65 years
- Palm Springs landfill site; calculated lifespan to final closure: 32.11 years.
- Waldrift Landfill site; calculated lifespan to final closure is 5.92 years.

#### ***Highlights /Achievements***

- The afternoon / night shift cleaning program was introduced in the CBD's as part of improving service delivery and sustain services in the town center.
- ELM successfully implemented a youth jobs in waste project which contributed to the creation of 70 temporary jobs support for community clean up campaigns.
- 11 waste recyclers were formalized and provided with PPE, training, recycling trollies and form part of the monthly recycling meetings.
- A total of 12 illegal dumps were successfully rehabilitated and converted to mini-parks and food gardens through partnership with the local communities.

#### ***Challenges***

Lack of resources, such as compactor trucks for household collection services; 3 ton trucks for collecting waste in the business routes; the lack of 6m<sup>3</sup> skip bins which are used in mini dump transfer stations contributed to decline in accomplishing service delivery targets.

Average household collection kerbside was 47% below projection of 67%, collection of bulk refuse in informal settlements were at 8% against the set target of 63% and only total of 109,100m<sup>3</sup> of illegal dumps were removed during 2017/18 financial year.

### 1.3 FINANCIAL OVERVIEW

The municipality realized a deficit of R 648m for the financial year ended 2017/18 this was a 4.42% reduction in deficit as compared to the financial 2017/17. . . The deficit was mainly due to the over expenditure in the general expenses (other expenditure line item) and debt impairment which is a non - cash item.

The operating revenue was 8% above the annual budget, this can be attributed to services charges on new developments which emanated from maintenance of the valuation roll through supplementary valuations r.; whereas operating expenditure was 31% above the annual budget due to over expenditure in cash items related to other expenditure while there was also an element of non-cash items which were not sufficiently provided for in the budget.

The below table depicts a snapshot of the unaudited statement of financial performance for the financial year under review.

2017/18			
	Adjusted Budget R'000	Actual R'000	Achievement %
Operating revenue	5,621,964	6,081,394	108%
Operating expenditure	5,155,758	6,729,592	131%
Surplus/(deficit)	466,206.00	-648,198	

\*See detailed Statement of Financial Performance in Chapter 5

#### Analysis of operational income

Services	2017/18	2016/17	Year on Year increase (%)	Approved
	R'000	R'000 (Restated)		tariff increase (%)
Assessment rates	799 015	659 291	21	12
Electricity	1,688,725	1,943,898	-13	6.8
Water	1,468,704	1,243,745	18.1	12
Refuse	222,250	213 027	4	9
Sewer	406,710	345,434	17.7	12

Assessment rates – The approved tariff increase for assessment rates for the 2017/18 financial year was 12%, the tariff increase was 21%. The increase in revenue of 9% above the approved tariff increase is mainly due to the increase in valuation of properties and new developments around Emfuleni Municipality.

Electricity – the tariff increase for 2017/18 was 6.8% and actual electricity revenue reduced by 13%. The reduction is mainly due to the reduction in electricity consumption as consumers are now using electricity wisely when using the prepaid electricity unlike when on conversional metering system.

Water – the tariff increase for the 2017/18 financial year was 12% and the real increase in revenue was 6.1% which is mainly due to increase in usage.

Refuse – the approved tariff increase was 9%. The actual increase in revenue was 4%, which is not in line with the tariff increase.

Sewer – the approved tariff increase was 12%. Actual increase in revenue was 18%. The difference of 6% is due to the increased sewer services.

#### Analysis of operational expenditure:

Major Key cost drivers and non-cash items are analysed below:

	2017/18 (Adjusted budget)	2017/18 (Actual)	2016/17 (Actual) Restated	2017/18 Achievement (Budget vs Actual)
	R000	R000	R000	
<b>Cash items</b>				
❖ Employees cost	1 130 940	1 018 534	1 156 532	90%
❖ Repairs and maintenance	128 682	71 491	234 409	55%
❖ Bulk purchases – Electricity	1 458 471	1 640 447	1 502 618	112%
❖ Bulk purchases – Water	793 024	786 294	713 411	99%
❖ Contracted services	110 455	146 880	149 117	133%
<b>Non-Cash items</b>				
❖ Depreciation	473 278	374 935	456 233	79%
❖ Debt impairment	0	1 161 360	1 141 401	100%

- Employee costs was 10% underspent this is mainly to retirements and resignations which took place during the current financial year without filling or replacement of the vacancies.
- Repairs and maintenance was underspent by 45% in the 2017/18 financial year as a result of cost containment measures put in place to reduce spending
- Bulk purchases on electricity was 12% above budgeted amount due to insufficient provision made in the budget.
- Bulk water purchases was on par with the annual budget.
- Contracted services was 33% over spent in the current financial year, the SCM unit is currently undertaking a contract review exercise to re-negotiate certain contracts in order to contain costs.
- Depreciation was 21% below the budgeted amount due to low provision made in the budget.
- Debt impairment provision was on par with the annual budgeted amount.

#### Cash flow and liquidity ratios

	Norm	2017/18	2016/17	2015/16	2014/15
Liquidity ratio	2:1	0,4	0,5	0,6	0,8
Cost coverage ratio	1:1	0,12	0,21	0,27	0,4
Creditors payment period	30 days	207	163	189	89

#### Analysis

The municipality's cash flow challenges have continued to decline as compared to the previous financial year. The current ratio has shown a slight improvement when compared to the previous financial year (2016/17 - 0.5:1) although still below the norm of 2:1. This indicates the inability to settle invoices within the

regulated 30 days' timeframe. On average as per the above table, the current turnaround time to settle creditors' invoices is 207 days.

The cost coverage ratio is also not favorable, indicating that the challenge faced by the municipality to cover its monthly fixed costs with the available reserved funds. The norm for this ratio is 90days (three months) and the municipality was sitting at less than a month, meaning the municipality cannot survive a single month without additional cash collection.

### **Actions put in place**

The municipality has adopted a four turnaround strategy which focuses on revenue collection and reduction of losses as critical pillars that will turnaround the financial position of the municipality. The municipality was placed under s139(1)(b) and s139 (5)(a) of the Constitution of Republic of South Africa during the first quarter of the 2018/19 financial year, this intervention was then followed by a number of engagements with both National and Provincial treasury in order to formulate a Financial Recovery Plan. The plan is intended to assist the municipality to turn around its current financial situation. The Financial Recovery Plan will be adopted by Council after approval by the MEC of Finance in the third quarter of the 2018/19 financial year.

An exercise was undertaken to review all existing contracts of the municipality and it was established amongst others that certain contracts had actually expired even though the service was still being rendered by the service providers without any formal extension. This exercise resulted in the municipality proactively declaring R 872 million irregular expenditure and the report was tabled in Council and is currently being investigated by Municipal Public Accounts Committee (MPAC). One of the major control deficiency that resulted in control failure in supply chain management is the decentralization model that was adopted by council and a report will be tabled in council to centralize supply chain management. Cash flow is directly managed by the seconded Chief Financial Officer on a daily basis as well as approval of procurement of goods and services.

## **1.4 ORGANIZATIONAL DEVELOPMENT OVERVIEW**

### **Organizational Development Performance**

The municipality has reviewed the Macro -Organizational Structure in the quest to reduced costs resultant to the financial position of the municipality. The project yielded a saving of four million rands in salaries excluding salary overhead costs.

Another significant performance milestone is the establishment of the body of knowledge and capacity in the Municipal Standard Charts of Accounts (mSCOA) throughout the organization. The municipality has works streams as prescribed in the Mscoa circular and departments are currently engaging in mapping out the Fifteen Business Processes as required. Managers, Assistant Managers and other supervisory levels have been trained in Mscoa hence the ability to map departmental business processes.

Ethics awareness workshops were conducted at various job levels, for example Job Level 2-3, Level 6-14 were and training on Train the Trainer were done by the Ethics Institute of South Africa for Ethics Champion and other change agents. The awareness workshops are schedule for the new financial year with organized labour and other stakeholders. The Speaker's Office was very key to the training of Councilors on ethics. The structure and policies are at the advanced stage of establishment and approval.

The Job Evaluation committee has thus far evaluated three hundred and fifty four (354) jobs at various levels in the organization. The Job Evaluation processes for the next financial year will be affected with the pronouncement of section 139 of the Municipal Finance Management 56 of 2003 read with section 139 of the Act 108 of 1996. This pronouncement has amongst other interventions prompted the Review of the Functional Organizational Structure of the municipality which has four (4) phases.

## **Employees Assistance Programme**

- Ongoing EAP counseling : 240 Employees consulted either formal or informal referrals from various departments and employee levels;
- HIV Counseling and Testing (HCT)- 78 employees tested for HIV and AIDS , the programme is a monthly intervention;
- Medical Surveillance- 254 employee took part (vital signs e.g. glucose, TB, Body Mass Index, High Blood and cholesterol, etc);
- Trauma Awareness Workshops: 68 employees took part in the trauma awareness workshops at various Traffic Departments;
- Financial Management Workshops: 217 employees was reached through financial management workshops, including pre-retirement programmes;
- Additionally Flu vaccinations were provided to ELM employee belonging to Bonitas Medical scheme: 65 employees were reached; and
- A Cancer Awareness Day was also conducted and 64 employees were reached

The above-mentioned are meant to address and contribute to the National Key Performance Area "Releasing Human Potential and which is in line section 152 (1) (d) of Act 108 of 1996.

The following Employee Assistance Programme (EAP) interventions are continuously done for the employees by self and formal referrals and pro-active programmes.

- Individual Counseling
- Financial Management Workshops/pre-retirement
- Communication & Conflict management Workshops
- Attitudes/Behavior & Absenteeism Workshops
- Trauma debriefings/awareness
- Medical Surveillances
- Voluntary Counseling & Testing
- World Aids Day
- Referrals for Counseling and Psychological interventions

### *Critical Vacancies*

Processes are underway to fill critical vacancies.

### **Human Resources**

The responsibility of the Human Resources function is to deliver effective and innovative HR services that addresses both skills development and administrative functions. The Work Place Skills Plan (WSP) for 2018/2019 financial year together with the Training Plan has been submitted to the Local Government Sector Education and Training Authority (LGSETA) on 30th April 2018 as required by the Skills Development Act, 2008.

The total Training Budget was reduced to R7 058 073.00 (R 7 million) and total expenditure committed from July 2017 to June 2018 amounts to R 7 039 771.77). The committed amount represents a 99% expenditure on the total revised training budget of R7 058 073.00. A total number of 887 employees were successfully trained in different training interventions during the period under review. A full summary of training interventions is reflected in Chapter 4 of this Report.

### **Critical Vacancies and Turnover:**

69 critical vacancies occurred during the year 2017/18, 7 of those were for section 56 Managers, i.e. Executive Directors for: Public Works, Shared Services, Chief Financial Officer, Chief Audit Executive, Agriculture, Economic Development Planning and Human Settlements, Infrastructure Development, and Community Development. These positions were advertised in the national newspapers and on the Municipal website and the closing dates were 26 February 2018 and 19 March 2018 (section 56 Managers) respectively.

The municipality is in the process of filling the following critical vacancies:

- Manager: Electricity
- Manager: Occupational Health and Safety
- Manager: Insurance
- Manager: Secretariat and Administration Support
- Manager: Debtors Management
- Manager: Revenue
- Assistant Manager Financial Control
- Assistant: Project Planning
- Assistant Manager: Water
- Manager: Office of the Chief Financial Officer
- Manager: Fleet Services
- Manager: Facilities
- Chief Director: Metsi-a-Lekoa
- Assistant Manager: Environmental Management
- Manager; Environmental Health & Social Development
- Manager Legal Services
- Manager Integrated Development Planning
- Manager Programmes and Administration

On a progressive basis, the Municipality is able to fill all vacancies throughout the structure of approved and budgeted posts.

**Vacancy Rate (2017/2018)**

The municipality has a total of 2 624 employees. A total of 48 vacancies were filled of which 18 were critical vacancies.

Details	Turn-over Rate		
	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate
2015/16	79	187	7.3%
2016/17	41	195	7.3%
2017/18	48	188	7.3%

**Employee Turnover Rate (2017/2018)**

A total number of 188 employees have exited the institution; either through resignations, dismissals, retirements or ill.



## 1.5 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting). July	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 2017/18 Annual Report to Internal Audit	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of the municipality and entities (where applicable).	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	September
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase of the following financial year	September
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - November
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
14	Audited Annual Report is made public and community representation is invited make inputs	January
15	Oversight Committee assesses Annual Report	January- March
16	Council adopts Oversight report	March
17	Oversight report is made public	March
18	Oversight report is submitted to relevant provincial and National departments	March - April
19	Finalization of Budget/ IDP for next financial year. Annual Report and Oversight Reports to be used as input	April

## CHAPTER 2: GOVERNANCE

Good Governance in the municipality embodies processes, structures and systems by which the municipality is directed, controlled and held to account for. It is characterized by a dynamic interface between political office bearers, political structures and administration. Intergovernmental Relations, Public Participation and Corporate Governance form part of Governance.

This chapter integrates the municipality's overarching governance framework, decision making processes and legislative obligations of the various governance structures and committees. There are a number of assurance role players for corporate governance in the municipality and they provide different types of assurances.

### COMPONENT A POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 POLITICAL GOVERNANCE

The Mayoral Committee of Emfuleni Local Municipality is the political governance structure that is established in terms of Section 60 of Local Government: Municipal Structures Act 117 of 1998.

**Cllr JL Khawe** is the Executive Mayor of Emfuleni Local Municipality and the public face of the municipality. He is the chair of the Mayoral Committee comprising of ten (10) Councillors accountable him.

The Mayoral Committee meets regularly to co-ordinate the work of municipality and make recommendations to Council. The Executive Mayor steers the development and implementation of Integrated Development which encapsulates service delivery and performance.

**Cllr ME Tsokolibane** is the Speaker of Emfuleni Local Municipality. The Speaker carries out the duties of Chairperson of the Municipal Council under the Municipal Structures and Systems Act. She enforces the Code of Conduct and exercises delegated authority in terms of the Municipal Systems Act. She ensures that Council meets regularly, maintains order during the meetings and that Council meetings are conducted in accordance with rules and orders of Council.

Over and above these roles, the Speaker is also a driving force of the public participations, petitions, ward committees, capacitation of Councillors' with specific reference to their portfolios. During the year under review, the Office of the Speaker has conducted 180 ward committee meetings, 8 training and capacitation workshops were also conducted 53 petitions were attended.

**Cllr MC Sale** is the Chief Whip of the municipality. The role of the Chief Whip is to strengthen and maintaining healthy relations between all the parties in Council. The Chief Whip is also responsible for ensuring that portfolio committees are functional and that councillors are allocated appropriately.

The duties of the Chief Whip of Council includes facilitation and implementation of whippery, study groups, multi-party forums. During the reporting period the Office of the Chief Whip has successfully held 6 whippery meetings 39 study groups, 2 multi-party forums.