



# **ANNUAL REPORT 2017/18 FINANCIAL YEAR**

**OFFICE OF THE MUNICIPAL MANAGER**

**Prepared By: Suraya Asmal**

[Okhahlamba Municipality, 259 Kingsway Street, Bergville, 3350]

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

### COMPONENT A: MAYOR’S FOREWORD

#### MAYOR’S FOREWORD

It humbles me deeply to present to you the 2017-2018 Annual Report. This has been a year of continued growth and development for our council with many a lesson learnt.

This financial year began at a time where the economic climate of the country was not favourable to the growth of the economy and as a result, we experienced slow economic growth, our province was in the midst overcoming a severe drought and various factors both internationally and nationally adversely impacted our local industries, particularly our tourism industry.

Despite these conditions, we have faced and conquered numerous challenges. We have managed to sustain a synergy between our council and administration. A notable achievement which we are proud of and humbled by is the Auditor-General’s audit opinion of a clean audit for our municipality in the 2017-2018 financial year, and the recognition of the municipality’s success through the Premier’s Municipal Excellence Awards where our municipality won a silver award in the categories for Best Municipality and Best Municipal Manager in KZN.

We are proud to have fully functioning and operational ward committees in all 15 wards of the municipality.

Through this document we intend to review the challenges we have faced, and highlight the successes we have accomplished; and present our findings to the people of Okhahlamba. The report aims to provide an account on the Municipal Manager’s overview, performance highlights, performance reports, as well as to present the 2017-2018 financial statements, accompanied by the Auditor-General’s opinion.

I wish to dedicate the progress our municipality has made to the memory of our fellow councillor, Cllr. B.P Mkhize, and the members of staff who have passed on during the review period. We would also like to take this opportunity to express our sincere condolences, and deepest sympathies to those colleagues who have lost family members over the course of the past year.

Our Municipality is fully committed to improving the quality and standard of living for all the people that reside within Okhahlamba. We aim to achieve this through the establishment and construction of durable, long-lasting infrastructure, particularly for our rural communities, to enhance the skills base in the region, to inspire healthy and environmentally friendly lifestyles, to fight crime and corruption, to support programmes for youth development as well as programmes for women and people with disabilities; and to encourage and inspire a culture of entrepreneurship.

Some of the highlights from the past year include: As a means of raising external funding and

developing bi-lateral relations with BRICS nations, we have built a relationship with the Guangxi Municipality in the People's Republic of China, the construction of our TVET College which will assist greatly in ensuring that our youth receive much-needed skills and capacity building, a notable decrease in crime in Bergville as a result of joint operations between our Traffic Department, Fire and Emergency Services and the South African Police Services, the construction of the Sports Complex Centre, hosting a successful Operation Sukuma Sakhe Cabinet visit; and obtaining and maintaining a Clean Audit Opinion by the Auditor General (AG).

In our quest to transform the area, we have completed construction of Geluksburg Community Hall and Crèche and Vimbukhalo Community Hall. We have improved access to areas through the construction of a gravel roads such as Mbhorompo gravel road.

The council has worked with the Department of Communications in information dissemination on the national digital migration plans and processes.

In January 2017, our Municipality was also awarded with a Back2Basics Award for Maintaining a Functional Municipality and achieving a Clean Audit opinion from the AG, and a certificate for Good Governance and Public Participation.

During April and May 2017, we embarked on our annual IDP/Budget Roadshow Campaign. We had the opportunity to meet and engage with communities across all of our municipal wards. The campaign was highly successful and I would like to thank my fellow councillors and more importantly, the communities for supporting the programme and for attending our roadshows in large numbers.

This year saw with it an increase in violence and abuse that is being perpetuated against women and children, and we have noticed that this trend is occurring throughout the country. We have held community dialogues through our IDP/Budget Roadshow Campaigns to engage with the community with regards to domestic violence and abuse.

In June 2017, the municipality saw various areas being severely affected in terms of their water supply. We were in constant contact with Uthukela District Municipality to try and resolve these challenges. Uthukela District Municipality has indicated that they will be budgeting for a complete overhaul of the water supply infrastructure that services Wards 11, 12 and 15.

We have undertaken a commitment to achieve 100% universal access to electricity connections and I believe that we are closer to reaching our goal. We are currently on the final leg of our electrification programmes where all outstanding areas including infills are currently being electrified.

A number of our senior management officials obtained degrees and MFMP qualifications over the course of the year. On behalf of my Office, and the Municipality, I would like to take this opportunity to congratulate these employees for achieving academic milestones in their careers. They have achieved this while continuing their selfless service as employees of the municipality, and have worked hard to achieve and maintain back to back clean audit opinions. We foster and encourage a learning environment at our Municipality where the pursuit of education is fashionable.

As a municipality, we are financially viable and have remained consistent in maintaining our finances and investments. We have graduated from being a municipality under provincial administration which received negative audit findings with disclaimers, to being a municipality driven by ambition and determination that received four clean-audit findings within a five-year period.

There is no denying that we have achieved remarkable success as a small, grant-dependent municipality despite the numerous challenges we have been faced with through the course of the past year.

We are a municipality that has developed a culture which embodies a commitment to the implementation of a clean administration championed by good governance, and this has proven to be a winning formula in achieving and maintaining favourable audit outcomes from the Auditor General of South Africa.

I would like to express my heartfelt gratitude to my fellow Councillors, Deputy Mayor, Speaker, Exco members, Directors and the members of staff for their hard work and commitment. We wish to thank Amakhosi, the Business Community, Government Departments, our Residents and all the stakeholders who have contributed to making our Municipality a better place to reside in.

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**His Worship, Councillor: M.G Ndlangisa**

**Mayor of Okhahlamba**

## COMPONENT A: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### **Municipal Manager's Overview**

The Okhahlamba Local Municipality has made significant progress in the recent past financial years in achieving its constitutional mandate to delivery service and uphold principles of good governance. The municipality's progress bears testimony to the recent Premier's Excellence Awards, where the municipality has been awarded a silver accolade as the 2<sup>nd</sup> Best Performing municipality in the Province. The municipality operates under severe socio-economic conditions, given the high rate of unemployment, serious backlogs in infrastructure, low rate of revenue and other social ills experienced in some parts of the municipality. Our approach as local government is informed by the constitutional mandate which underpins a number of legislative frame-work, such as Municipal Finance Management Act, the Municipal Systems act, and the Municipal Structures Act.

Our strategic framework is always informed by a number of National Interventions imperatives, such as the Back to Basics program premised on the five pillars: putting people first, delivering basics services, good governance, sound financial services and building capable local government institutions. The municipality has met its set of significance targets as outlined in the Municipal Integrated Development Plan, organizational scorecard and the Municipal Performance Plan. Our Municipal Performance Plan is intrinsically linked to the Municipal Service Delivery Budget Plan and the municipal medium expenditure framework. Through our annual public participation process, the following has been identified as areas in need of urgent intervention.

Council has been able to set its annual performance plans, linked to individual performance agreements with realistic targets. The municipality has achieved on average above 90% of its infrastructure targets in the year 2017/2018. Council has completed all its infrastructure projects, among them the constructions of various rural and urban roads, early childhood development centres, community halls, and electrification projects. The municipality has achieved a milestone in addressing infrastructure development, this includes among others the traffic centre, the emergency centre, the Okhahlamba Sport Complex and a number of social intervention programs. The 6<sup>th</sup> phase of Bergville tarred roads has had significant impact to transform the road safety and aesthetic of the town. Having completed the Winterton rehabilitation program, council has gained public confidence of the town's rate payers. A first project pilot to construct three high-mast in different wards has improved visibility and significantly reduced crime.

Council's revenue management and enhancement strategy has assisted to increase revenue over the financial year. The implementation of the new valuation roll coincided with the roll out of the Municipal Standard Charts of Accounts (MSCOA). A new company of Valuers conducted the 2018-

2022 valuation roll, which shall be followed by supplementary valuation roll. The new valuation roll has identified a number of properties that require correct categorization and ownership. Council still grapples with quick mechanisms to enforce payments of properties, except a long legal route which is costly. In terms of the council municipal performance for the year:

- A. All our suppliers were paid within 30 days (unless there were queries related to SARS instructions and incorrect invoicing).
- B. The percentage of the entity's grant income to total revenue remain stagnated at 79.5%.
- C. The collection rate for the year remains remain below our set target 85%, has stagnated around 70% over the last few years.
- D. All the municipal conditional grants are cash backed, the municipal's conditional grants are 282% cash-backed.
- E. The council's cash coverage ratio has improved from 1 month to a 2 months cash coverage at the end of last financial year.

Our measures to improve governance have seen the municipality achieving four consecutive clean audits opinions from the auditor-general. A lot of work has been put in place to ensure that the entity continues to operate as a going concern. Council has strengthened internal controls through the establishment of a Risk Unit which is tasked to identify internal system gaps which pose risk and therefore develop mitigating factors. Council has appointed risk champions and an independent risk chairperson. Council has improved the capacity of the Internal Audit Unit to ensure that all measures of compliance in procurement and HR are adhered to. The new members of the audit committee were appointed with the effect of 1<sup>st</sup> January 2018, having the other members reached their maximum term in office.

I would like to express my sincere gratitude to the Political leadership and the council of the Municipality and to my family of staff members who have worked tirelessly to ensure the smooth operation of the Municipality despite working within an often-challenging environment. It is through our hard work, commitment to a clean administration and ongoing dedication that we have been able to achieve a multitude of milestones as a municipality.

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Mr. S.D. Sibande

Municipal Manager

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### Municipal Powers & Functions

Schedule 4 Part B	Function Allocated to Okhahlamba Municipality	Function Allocated to District Municipality
Air pollution	YES	
Building regulations	YES	
Child care facilities	YES	
Electricity and gas reticulation	NO	NO
Fire-fighting services	NO	YES
Local tourism	YES	
Municipal airports	YES	
Municipal planning	YES	
Municipal health services	NO	NO
Municipal public transport	YES	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	YES	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	YES	
Stormwater management systems in built-up areas	YES	
Trading regulations	YES	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	NO	YES

## INTRODUCTION TO BACKGROUND DATA

**Population**

Okhahlamba Local Municipality is one of the five municipalities under uThukela District Municipality. Okhahlamba Municipality experienced a negative growth on its population as the population size decreased from 137 924 in 2001 to 132 068 in 2011 recording a -4.3 negative growth (see table 1). This decrease in population can be attributed to various factors some of which include migration out of the Municipal area and the effects of the HIV/AIDS pandemic. This decline in population has significant implications particularly in development related issues.

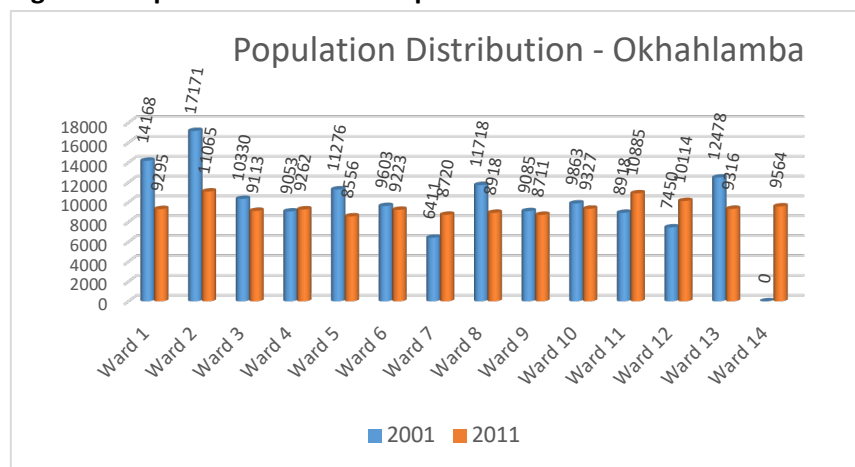
However, it should be noted that the number of households have increased for the same period from 26 756 to 27 576, which accounts for approximately 820 households. This is thus in contradiction with the decline in population numbers and can possibly be attributed to circular migration, where the head of the household might be working somewhere else and was not counted during the Census.

**Table 1: Population of Okhahlamba (2001 - 2011)**

Population characteristics	2001	2011
Population Size	137 924	132 068
Population Growth (%)	2.89	-4.3
Number of households	26 756	27 576
Average household size	4.9	4.8
Female headed households	51.2	53.8

Source: Stats SA, Census 2011

Population is unevenly distributed across 14 wards. Figure 1 depicts ward 2 as the ward, which had the greatest decrease in population over a period of 10 years.

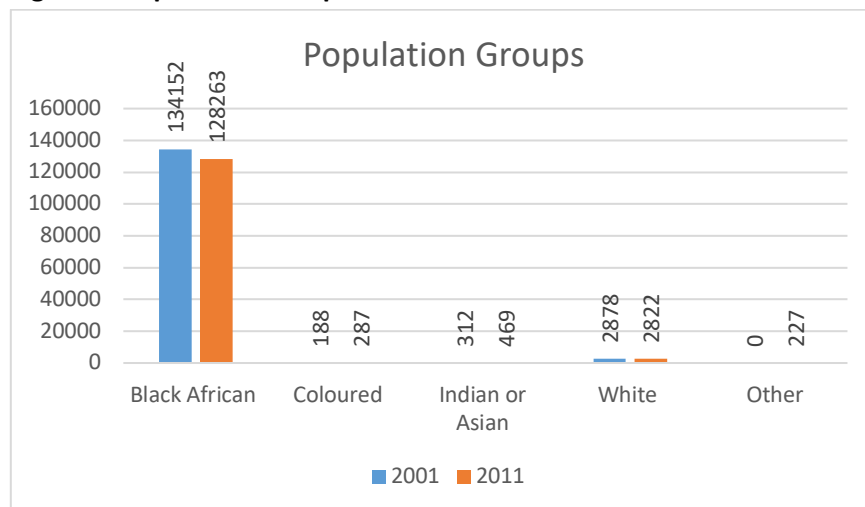
**Figure 1: Population Distribution per Ward**

Source: Stats SA, Census 2011

### Population Groups

Figure 2 indicates population groups that form the majority of the population of Okhahlamba Municipality. It illustrates that the majority of population is formed by Black Africans and very few from the White population. This graph re-emphasises the decrease that has taken place between 2001 and 2011, however it is shown more specifically that it has been the Black Africans that have decreased in numbers and not so much the White population.

**Figure 2: Population Groups**



Source: Stats SA, Census 2011

### Age Distribution

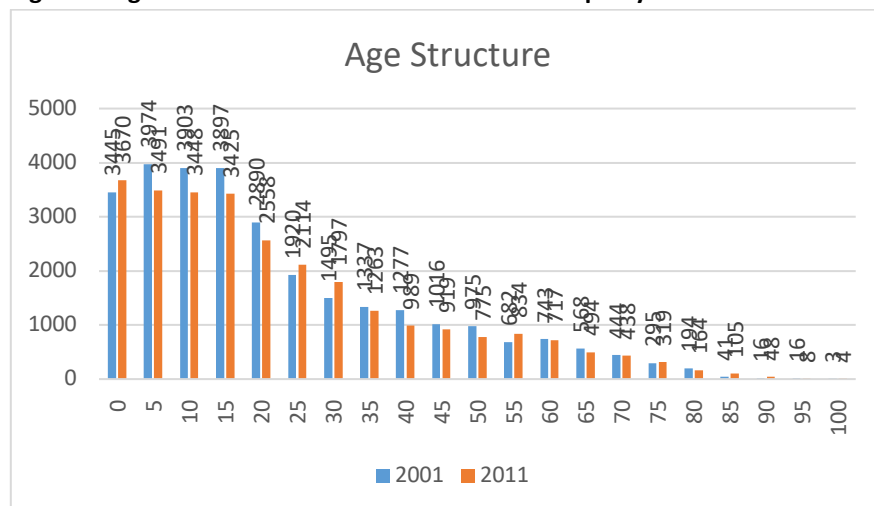
Table 2 and Figure 3 reflect the age structure of the Okhahlamba Local Municipality. The majority of the population is made up of individuals ranging from ages 0-35 (youth) and little ranging between 64 and 100. In 2001, 41.1% of the population were individuals under the age of 15 and in 2011 there was a decrease in this age group. The 15-64 age group also decreased as in 2001 it represented 54.1% of the overall municipality's population and in 2011 represented 55.9% of the population. The older age group (64<) also decreased from 4.8% to 4.9%. There is thus a decreasing trend identified within each age group.

There are various implications for the trend identified. The Okhahlamba Local Municipality can be characterised with having a large youthful population, which implies the need for various facilities and focus on specific priority areas e.g. educational facilities, economic opportunities and possibly youth development programmes.

**Table 2 : Age Profile of Okhahlamba**

2001			2011		
>15	15-64	64<	>15	15-64	64<
41.1	54.1%	4.8%	39.2%	55.9%	4.9%

Source: Stats SA, Census 2011

**Figure 3: Age Structure of Okhahlamba Local Municipality**

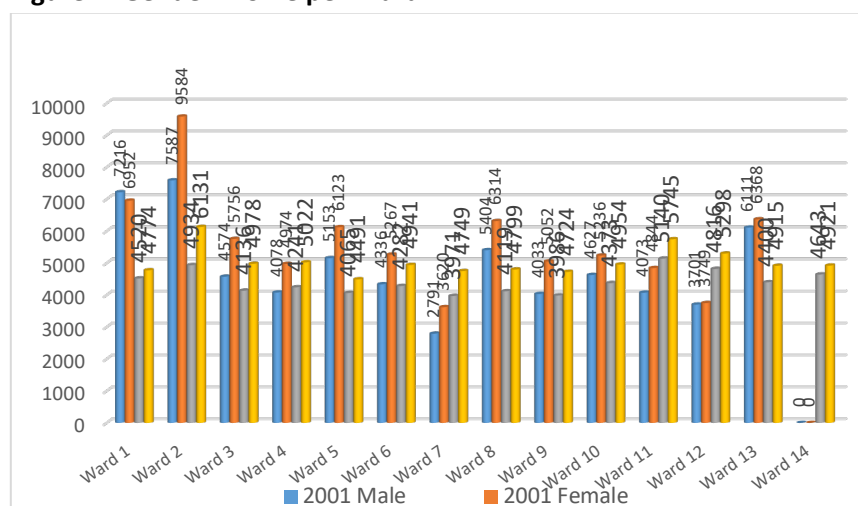
Source: Stats SA, Census 2011

**Gender Profile**

Table 3 below shows the sex ratio between males and females in the Okhahlamba Local Municipality. It is seen that in 2001 and in 2011 there were more females than males. However, in 2011 the proportion of males to females increased by 0.9%.

**Table 3. Sex Ratio- Okhahlamba Municipality**

Males per 100 Females	
2001	2011
86.6	87.5
Source: Stats SA 2001 and 2011	

**Figure 4: Gender Profile per Ward**

Source: Stats SA 2001 and 2011

The above graph illustrates gender distribution in Okhahlamba Local Municipality and shows the gender profile of each ward within the municipality. The data reflects an uneven gender distribution. Generally, there has been a decrease in both males and females between 2001 and 2011. However more specifically there has been a greater decrease in males in each ward between 2001 and 2011. This applies for all wards except wards 4, 7, 11, 12 and 14. These wards have had an increase in both males and females between 2001 and 2011. The most significant increase seen is ward 14.

#### COMMENT ON BACKGROUND DATA:

Following is a summarized key findings of the demographic analysis:

- ❖ Okhahlamba experienced a negative growth on its population as the population size decreased from 137 924 in 2001 to 132 068 in 2011 recording a -4.3 negative growth;
- ❖ Ward 2 is found to have had the greatest decrease in its population;
- ❖ The number of households increased between 2001 and 2011, which suggests circular migration;
- ❖ Wards 4, 7, 11, 12 and 14 are the only wards which have had an increase in population between 2001 and 2011;
- ❖ Majority of Okhahlamba population is formed by Black Africans and very few from the White population;
- ❖ Bergville, Winterton and Traditional Areas around the foothill of the Drakensberg are seen to have higher concentrations of people;
- ❖ The majority of the municipality is with 0-42 persons per square km;
- ❖ Majority of the population is made up of individuals ranging from ages 0-35 (youthful population);
- ❖ There are more females than male in Okhahlamba; 53, 8% of households are female dominated households.

### 1.3. SERVICE DELIVERY OVERVIEW

#### SERVICE DELIVERY INTRODUCTION

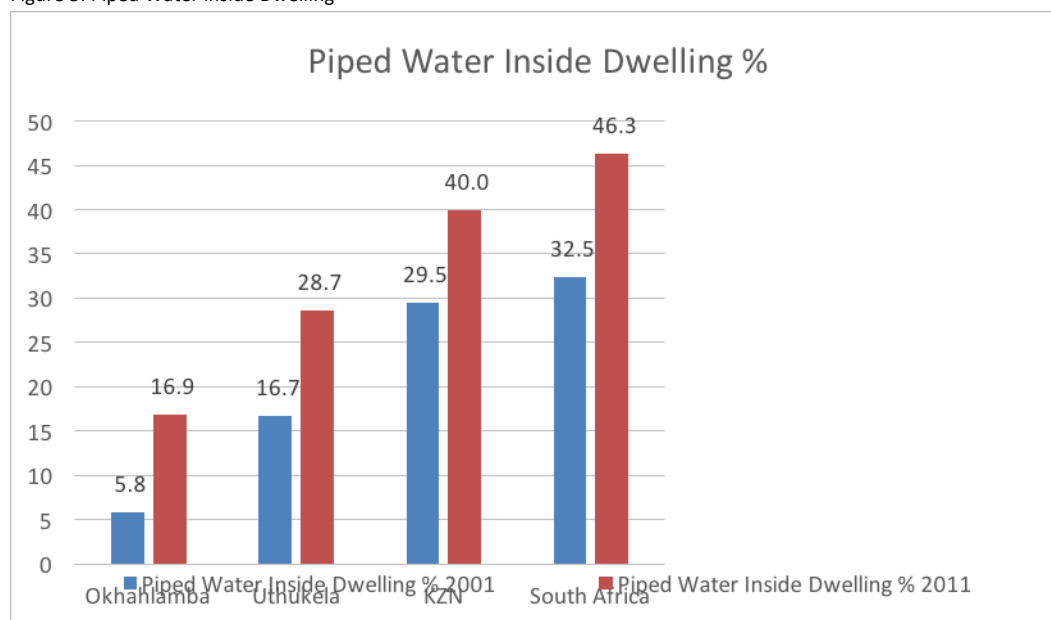
##### BASIC SERVICES OVERVIEW

#### Water

Water and sanitation services fall under the powers and functions of the District Municipality and is the core function of uThukela District Municipality. The Municipality is constantly engaged in discussions with uThukela District Municipality as a Water Service Authority to get information on progress regarding this function. The District's primary objective is to extend potable water and sanitation services throughout the district by eliminating the backlogs and also to maintain and ensure sustainability of the existing water and sanitation infrastructure.

UThukela District Water Services has developed a Water Services Development Framework since it is responsible for water and sanitation services delivery in the district. This was done in terms of the powers and functions stipulated in the Municipal Structures Act No.117 of 1998; Chapter 5. The main objective of the municipality is to ensure the quality of drinking water in the region is improved in as far as the blue and green drop is concerned.

Figure 5: Piped Water inside Dwelling



Source: Statistics SA, Census 2011

Figure 5 indicates that the number of households with piped water inside dwelling increased from 5.8% in 2001 to 16.9% in 2011. However, this was lower compared to the District, Provincial and National average. In 2011, 28.7% households in UThukela District, 40% in KwaZulu- Natal Province

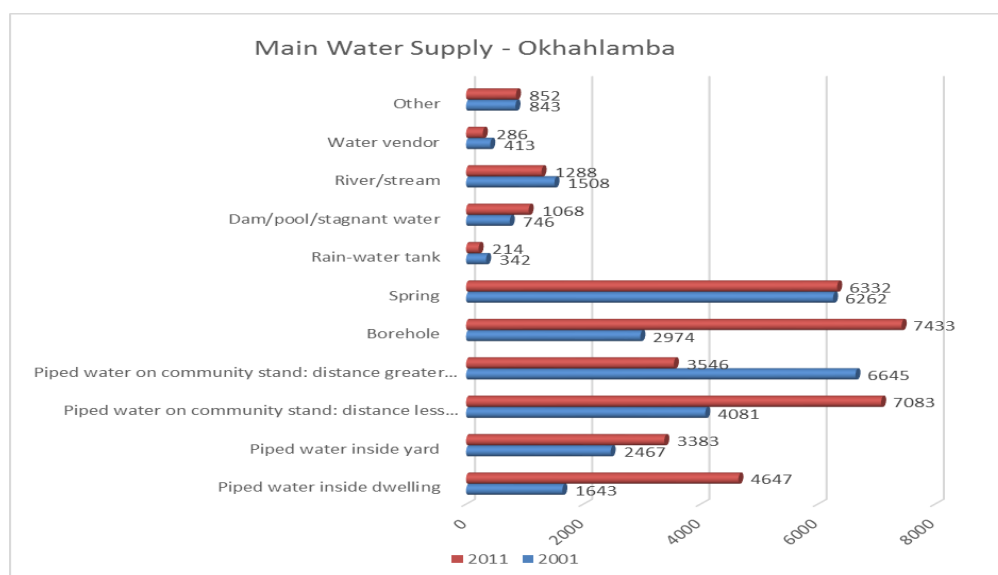
and 46.3% in South Africa had piped water inside dwelling. This is indicative that Okhahlamba is facing huge water backlogs. According to the UThukela District Municipality's Draft IDP 2014/2015 water supply backlog as at the end of June 2011 was 28.75%. This translates to 40146 households that do not have access to safe water supply, and 99 492 households have access to water supply in uThukela District Municipality.

Statistics indicate that in 2011, Okhahlamba Local Municipality had 28 508 household of which 12 567 did not have access to safe water supply. It is indicated that in 2011 there was a water backlog of approximately 44, 08%.

In summary, there has been a general increase in access to water between 2001 and 2011, despite high water backlogs:

- ❖ There is still reliance on boreholes (20%) and springs (19%) in Okhahlamba as sources of water.
- ❖ Access to piped water on community stand was 29% in 2011.
- ❖ Piped water inside yard was 9% in 2011.
- ❖ Piped water inside dwelling was 16% in 2011.

Figure 6: Main Water Supply



Source: Stats SA, Census 2011

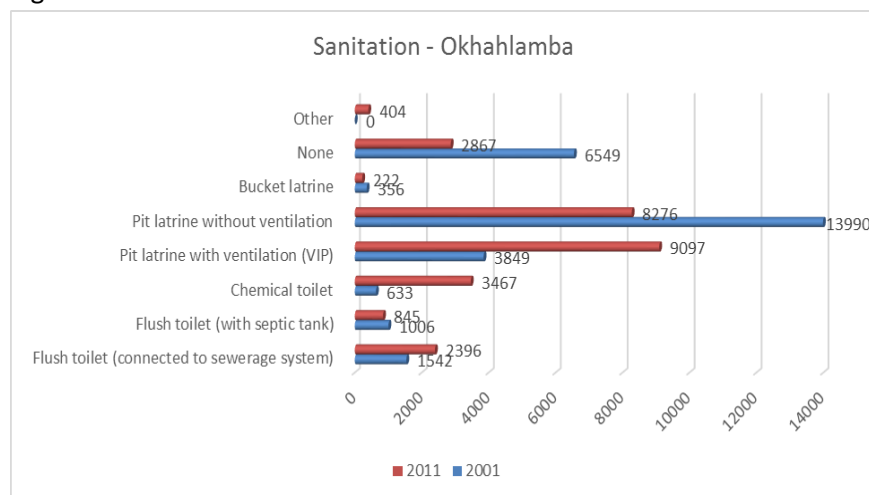
## Sanitation

Sanitation is one of the core functions of uThukela District Municipality. In the previous financial year, 6 504 new households were provided with appropriate sanitation services in the form of VIP Latrines. During the implementation of sanitation projects, a total of 5 298 local community people were

employed for the duration of the projects and some of them were also empowered with new skills such as building and project management. The appropriate sanitation services backlog as at the end of June 2011 was 22.85 %. This translates to 31907 households that do not have appropriate sanitation services.

The figure below illustrates the number of people with access to sanitation in Okhahlamba. It indicates that the majority of households (75%) does have access to a basic level of sanitation service, of which 30% predominantly use pit latrines, 32% use VIP (ventilated improved pit latrine), 8% have flush toilets, 12% have chemical toilets and 11% of which is depicted as either using a bucket latrine or do not have any form of sanitation. Sanitation backlog in Okhahlamba is approximately 22.57% which is about 6 435 households that do not have access to appropriate sanitation facilities.

Figure 7: Sanitation



Source: Statistics South Africa: CS 2011 and 2001

### Solid Waste Management

The Municipality continued implementing its Integrated Waste Management Plan (IWMP). It provides strategies in addressing the backlogs in refuse collection. The municipality also implements free basic solid waste for the indigent households. The municipality's landfill site is situated in Bergville and covers Bergville and Winterton. It was established in 1975, and it has a permit. During the past year, we secured a license for a new landfill site.

Waste collection is done on weekly basis in residential areas and daily in the Winterton and Bergville CBD. Waste collection is done free of charge in Khetani. We have donated bins to a number of schools to encourage recycling and environmentally friendly practices.

Future plans of the Waste Management Section includes waste collection in rural areas through the EPWP programme; and well as recycling stations in Bergville and Winterton. Sorting and source for

recycling will also take place whereby we will provide residents with free transparent bin bags for recycling.

Waste quantities indicated in the IWMP indicates that the majority of waste generated is by business, followed by domestic waste.

Figure 8: Waste Quantities and Characteristics (wastes quantities in tons per annum) in Okhahlamba Local Municipality

	WASTE SOURCES	Domestic	Business	Industrial	Medical	Mining
<b>WASTE QUANTITIES</b>						
Generated		624	5 748	None	26	None
Collected		624	5 748	None	26	None
Stored		None	None	None	None	None
Recycled		None	None	None	None	None
Treated		312	1 817	None	26	None
Disposed		312	3 931	None	26	None

Source: uThukela Waste Management Plan as in Okhahlamba IWM

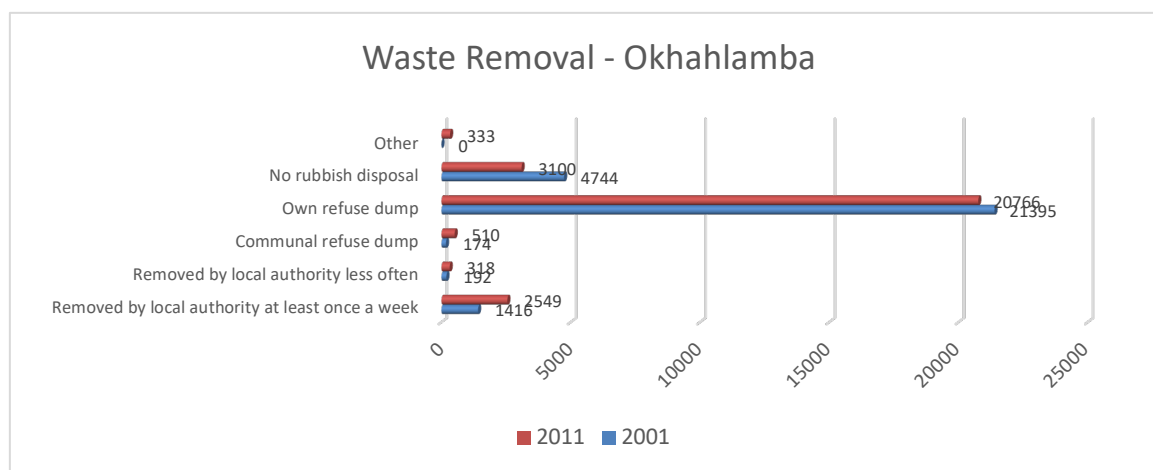
Figure 9

DESCRIPTION	EMNAMBITHI	IMBABAZANE	INDAKA	OKHAHLAMBA	UMTSHEZI
Name	None	None	None	Bergville	None
Geographic Location	None	None	None	Cathkin Park	None
Type of Treatment	None	None	None	Incineration	None
Year of Construction	None	None	None	2001	None
Capacity	None	None	None	NR	None
Throughput	None	None	None	NR	None
Hours of Operation	None	None	None	8	None
Input & Output Chart	None	None	None	None	None
Residue Characteristics	None	None	None	Ash	None
Enviro Monitoring Programme	None	None	None	Monthly	None
Environmental Impact	None	None	None	None	None
Permit Certificate	None	None	None	None	None

Source: uThukela Waste Management Plan as in Okhahlamba IWMP

The statistics below indicate that the majority of the population (75%) use their own refuse dumps and that the local authority barely provides for the removal of solid waste (figure 10). Approximately 11% of households do not have any rubbish disposal. This poses serious challenges in respect of environmental health and possible pollution of water sources.

**Figure 10: Waste removal**



Data Source: Statistics South Africa: CS 2011 and 2001

#### 1.4. FINANCIAL HEALTH OVERVIEW

##### FINANCIAL OVERVIEW

###### Background

The 2017/18 financial year came with many noticeable changes to the municipality but financial stability was maintained and financial growth was again witnessed. This report is a summary of the progress made and a few challenges on the financial performance of the municipality for the 2017/18 financial year.

###### 5 year plan /objectives

Successful monitoring of MSCOA implementation and monitoring for 2017-2018 to 2020 to 2021  
 Successful implementation of new valuation roll with minimum of 5 years supplementary valuation roll  
 Improve financial reporting based on MSCOA requirements  
 Improve debts collection to boost municipal cash flow  
 Continuous maintenance of clean audit opinion (AGSA)

Continuous municipal budget related policies

To manage our assets and liabilities (current ratio norm 2:1)

To manage our cash coverage norm (3 months)

Implementing the cost cutting measures

Create a conducive environment for job creation and economic growth

Annual preparation of a funded budget every financial year as per the MFMA

### **Annual Financial Statements**

Improved financial stability through improved staff discipline, financial management and reporting. This has resulted in the improved liquidity ratios such as current ratio (1:28 in 2016/17 and 1.38 in 2017/18 financial year respectively) meaning that the municipality will be able to pay its current liabilities with its current assets, Operating cash flow ratio meaning the municipality has generated enough cash to pay its short- term liabilities.

Decrease in cash flow as a result of lack in debt collection and management (monitored on a weekly basis). From 69% 2016/17 to 64% in 2017/18. The Municipality has achieved 100 % expenditure on MIG funding and improved grant spending due to improved supply chain processes and payment of consultants and contractors on time (even less than 30 days). The uniform ratios and the norms for 2017/18 in attached in this report.

### **mSCOA**

The Municipality has successfully began implementing the Municipal Standard Charts of Accounting (mSCOA) financial approach as prescribed by National Treasury. Implementation began in July 2017, and has proved useful in ensuring that standardising business processes, and ensuring the quality and credibility of data within the municipality.

### **Reporting**

The department has done a noticeable improvement as far as reporting on financial matters to other stakeholders (e.g. internal departments, provincial, national and other stakeholders), we have achieved almost hundred (100%) percent on reforms as required by National Treasury and compliance departments, this evidenced by relevant circulars informing municipalities on such reporting compliance.

### **Supply Chain Management**

100% MIG spending due to improved supply chain processes and payment of consultants and contractors on time (even lesser than 30 days).

**Total number of Finance officials employed by the municipality including the Accounting Officer:**

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	0	1	0	1	1
<i>Chief financial officer</i>	1	0	1	0	1	1
<i>Senior managers</i>	1	0	1	0	0	1
<i>Any other financial officials</i>	13	0	13	0	0	10
<b>Supply Chain Management Officials</b>						
<i>Officials in supply chain management units</i>	7	0	7	0	0	6
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>0</b>	<b>2</b>	<b>19</b>

**Financial Analysis**

The draft financial statements for the 2017/18 financial year was compiled and forwarded to the Auditor General for audit on the 31 August 2018. The financial Statements show an upward trend in the municipal finances.

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

The Okhahlamba Council is the highest decision making body within the Municipality. It is made up of 29 Councillors with 15 Ward Councillors and 14 Party Representatives. The Chairperson of Council is the Speaker. There are five (5) portfolio committees in the Municipality.

The Executive Committee is made up of five Councillors. The chairperson of the Executive Committee is the Mayor.

The following are the committees of Council: Social Services and Economic Development Committee, Finance Committee, Corporate Services Committee, Technical Services Committee and the Municipal Public Accounts Committee.

#### Technical Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- ❖ The municipality's technical tasks, such as roads constructions and maintenance thereof,
- ❖ Community halls and other community structures, crèches and is further responsible for the housing development.
- ❖ Refuse removal.

#### Social Services and Economic Development Committee

The terms of reference of this committee are to advise and make recommendations to the executive committee on:

- ❖ All applicable legislation relating to social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, transport, land affairs, law enforcement, library services, Tourism, MPCC, youth, sports and gender and Public Participation.

#### Corporate Services Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- ❖ All aspects of Human Resources Development.
- ❖ Information Technology and
- ❖ Records Management

**Finance Services Committee**

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on: budgeting, supply chain, asset management, revenue and expenditure.

**Municipal Public Accounts Committee**

The terms of reference of this committee are to play an oversight role within the municipality. All the reports of the Audit Committee and Council may refer matters to this committee for investigation.

**POLITICAL STRUCTURE**

**Mayor**  
(Cllr M.G Ndlangisa)



**Deputy Mayor**  
(Cllr T.G Ngozo)

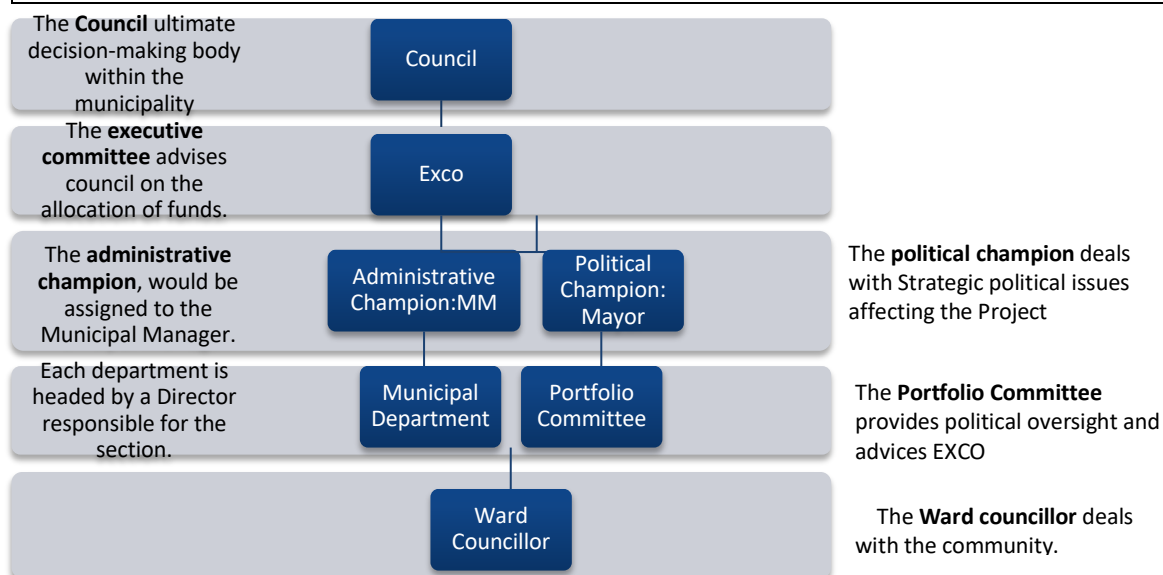


**SPEAKER**  
(Cllr. S.A Zulu)

## 2.1 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The following structure indicates decision making hierarchy in the Municipality.



### ADMINISTRATIVE CHAMPION



**MUNICIPAL MANAGER**  
(Mr S.D Sibande)

## COMPONENT A: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Operation Sukuma Sakhe operates in all wards (15 wards) of Okhahlamba Local Municipality. Each ward has a war room and satellite war rooms to each and every ward, where all stakeholders (Government Departments, Non-Government Organisations (NGOs), Traditional leaders, Faith Based Organisations (FBO), Community Care Givers (CCGs) come to the war room to fight poverty, crime and other issues that are problematic in the community. Each war room has a convener who chairs the Ward Task Team (WTT) meetings and the ward Councillor is the champion of the war room.

The convener comes to the meetings and they meet every month with all stakeholders to discuss community issues that were identified during household profiling by the CCG's and the walk in registers in the war rooms. The war rooms operate in community halls and Traditional Courts. Some wards are too large, so sub-war rooms were established for the benefit of the entire ward. War rooms are open every day of the week for the community to come with their issues that need necessary interventions. Managers are deployed in these 15 wards to monitor the functionality of the war room.

CCG's do households' profiling whereby they identify different needs that need to be fulfilled through different referrals/ interventions from different stakeholders/government departments, also the community have an easy access to the war room walk in registers which are monitored by the OSS Office every after 3 months. Each ward conducts an Operation MBO (MBO is a Zulu name for the campaign to revoke communication) after finishing analysing the household profiling forms, where all government departments will come and render their services to people at a ward level.

Local Task Team meetings take place once a month in the Municipality Offices whereby all Departmental Managers, WTT conveners, traditional leaders and NGOs, ward Councillors and the Mayor come to the meeting to discuss issues that were unresolved in the war room and to get the report of the WTTs from the ward conveners. They also discuss the functionality of the war rooms and come up with solutions for those that need help. The Local Task Team writes a monthly report to the District Task team about the operations of the WTTs. OSS celebrates all calendar events.

On the 25 April 2018 there was an Operation Sukuma Sakhe Cabinet Visit where the Premier and the Ministers were visiting the following wards: 1,3,4,5,6,7,8,10,11,12 and 15. This is the visit to monitor the service delivery to the community by Governmental Departments. There were issues which were raised by the Community to the Ministers some of them were the same: water issue, job opportunities and crime. For more information the OSS Cabinet issues document can be provide.

### **CHALLENGES**

No attendance of some Governmental Departments in the Local Task Team Meetings. Slow interventions are taking place in the war rooms due to non-attendance of Departments at the war rooms. Non-attendance of the Ward Champions in the Local Task Team Meetings are also a cause for concern.

### **CHANGES**

The Operation Sukuma Sakhe unit is in the process of reviewing our war rooms that are convened by the officials to be convened by the Community Members and the officials to assist them with the functionality of the war rooms. The war rooms will be opened from 08H00-16H00 for the walk in registers for clients that will be referred by the CCG's for emergency interventions. The war room opening will be done by the CWP representatives because they are trained on the basics of OSS and the recordings of the cases in the walk in register.

### **SUCSESSES**

All 15 of the War rooms are established and it is easily accessed by the community and Departments, most of our war rooms are branded so you can see from far that there is a War room structure. People are easily accessing the Poverty Alleviation programmes now since there are structures which can assist them in the community, as opposed to having to take a taxi to town.

## **2.2 INTERGOVERNMENTAL RELATIONS**

### **DISTRICT INTERGOVERNMENTAL STRUCTURES**

Inter-Governmental Relations (IGR) structures have been established between the district and local municipalities and all the Mayors have signed the IGR protocols. IGR structures include:

The District Intergovernmental Forum (DIF) or the Mayors Forum.

The District Technical Support Forum (DTSF) or the Municipal Manager's Forum.

The uThukela District Mayor is the chairperson of the District Intergovernmental Forum and attends the KZN Provincial Premier's Forum meetings.

The Municipality also attends and forms part of the Okhahlamba Drakensberg Park World Heritage Site Buffer Zone Technical Committee, an integrated governmental structure which meets once a month. The structure provides strategic and technical advice to Planners / GIS specialists concerning the Spatial Development Framework and statutory applications.

Other IGR structures in the district include the following forums:

Planning Forum,

Finance Forum,

Corporate Forum; and

Infrastructure Forum.

## COMPONENT B: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Okhahlamba Municipality has implemented its Integrated Communications Strategy Framework to enhance its effectiveness in all operational spheres. The municipality is committed to provide accurate service delivery and is willing to engage with business, communities and other stakeholders to ensure that service delivery targets are met. The Communication Strategy ensures that municipal staff are well informed of what is happening in the municipality and well equipped with information.

Communication dissemination methods include the following:

Internal communication flow:

- ❖ Communication between internal departments through information sharing meetings such as MANCO.
- ❖ Communication between committees, entities, affiliates, partners and staff.
- ❖ Cost reduction efforts by using notice boards, Skype/Google etc.
- ❖ Ensuring quality standards of municipal documents.
- ❖ Customer service training.
- ❖ Instant Messaging Services such as WhatsApp

External communication flow:

- ❖ Traditional media: newspapers, radio, municipal newsletter, establishment of local newspaper.
- ❖ Electronic media: Okhahlamba website
- ❖ Social media: Email newsletter, Business Registry, SMS marketing, Facebook, Twitter and YouTube.
- ❖ Loud Hailing
- ❖ Instant Messaging Services in the form of WhatsApp

## 2.3 PUBLIC MEETINGS

### COMMUNICATION, PARTICIPATION AND FORUMS

The Municipality adopted its public participation program to involve the community during the Integrated Development Program (IDP) and Budget Process, as indicated in tables below. These meetings were attended by MANCO members and Councillors.

#### Public participation per ward – programme

##### Stakeholder's Meetings

Date	Ward	Venue	Time
25/04/2018	01	Emfemfetheni Community Hall (Emmaus)	10:00
25/04/2018	03	Dukuza Stadium	10:00
25/04/2018	04	New Stand Sports Ground	10:00
25/04/2018	05	Green Point Community Hall	10:00
25/04/2018	06	Busingatha Community Hall	10:00
25/04/2018	07	Nsukangihlale Community Hall	10:00
25/04/2018	08	Eyethu Community Hall	10:00
25/04/2018	10	Rookdale Community Hall	10:00
25/04/2018	11	Hambrook Community Hall	10:00
25/04/2018	12	Potshini Community Hall	10:00
25/04/2018	15	Bethany Community Hall	10:00

STAKEHOLDER	VENUE	TIME	DATE
WINTERTON RATEPAYERS & FARMERS ASSOCIATION	KHETANI HALL	17H30	02/05/2018
BERGVILLE & GELUKSBURG RATEPAYERS & FARMERS ASSOCIATIONS	OKHAHLAMBA MUNICIPAL CHAMBER	17H30	03/05/2018
CATHKIN PARK RATEPAYERS ASSOCIATION	CATHKIN ESTATE HALL	16H30	02/05/2018
ALL GOVT. STAKEHOLDERS	OKHAHLAMBA MUNICIPAL CHAMBER	11H00	04/05/2018

### RISK MANAGEMENT

Okhahlamba Local Municipality is committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003, and has developed an Enterprise Risk Management Policy and Framework.

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Framework. It is expected that all departments, operations and processes will be subject to the risk management framework. It is the intention that these departments will work together in a consistent and integrated manner with the overall objective of reducing risk as far as reasonably practicable.

Effective risk management is imperative to the Municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Municipality. The realisation of the Municipality's strategic plan depends on the Municipality being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the Municipality to anticipate and respond to changes in its service delivery environment, as well as to take informed decisions under conditions of uncertainty. The Municipality subscribes to the fundamental principles that all resources will be applied economically to ensure:

- ❖ The highest standards of service delivery;
- ❖ A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- ❖ Education and training of all staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- ❖ Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

The Municipality is adopting a wide approach to risk management, which means that every key risk in each part of the Municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the Municipality's systems and processes, ensuring that the Municipality's responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Municipality's objectives. Equally, they must ensure compliance with relevant legislation and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance. The municipality has an established municipal risk management

### FRAUD AND ANTI-CORRUPTION STRATEGY

Fraudulent and corrupt practices undermine the basic values and principles governing public administration as set out in Chapter 10 of the Constitution.

The Municipality expects all its employees, councillors, service providers and the community not only to be fair and honest, but also to provide any help, information and support necessary to combat fraud and corruption.

The Municipality often acknowledges the causes, aggravating factors and debilitating effects of fraud and corruption and consequently the need to root out these elements. It is in this commitment that has seen the development and implementation of numerous policies.

In addition, financial management systems and procedures were reviewed to incorporate the following policies:

- ❖ Anti-Fraud and Corruption Policy
- ❖ Appointment of Consultant Policy
- ❖ Bank Investment Policy
- ❖ Budget Implementation and Management Policy
- ❖ Communications Policy
- ❖ Consumer Credit Control and Debt Collection Policy
- ❖ Ethics Policy
- ❖ Human Resources Strategy
- ❖ Human Resources Policy
- ❖ Indigent Support Policy
- ❖ Municipal Property Rates Policy
- ❖ Tariff Bylaw
- ❖ Unallocated Revenue Policy
- ❖ Employee Assistant Programme
- ❖ Enterprise Risk Management Framework Policy
- ❖ Fixed Asset Policy
- ❖ Full and Registration Fee Bursary
- ❖ IT Disaster Recovery Plan Policy
- ❖ IT Framework Policy
- ❖ IT Policy
- ❖ IT Security Policy
- ❖ IT Strategy Policy
- ❖ Fleet Management Policy

- ❖ Filing System Policy
- ❖ Infrastructure Management Policy
- ❖ Language Policy
- ❖ Expanded Public Works Programme Policy
- ❖ Cooperatives Policy
- ❖ Registry Procedure Manual Policy
- ❖ Records Policy
- ❖ Social Amenities Hire Policy
- ❖ Virement Policy
- ❖ Overtime and Standby Policy
- ❖ Subsistence and Travel Policy
- ❖ Rates and Refuse Removal Services Policy
- ❖ Supply Chain Management Policy
- ❖ Consumer Care, Credit Control and Debt Collection Policy
- ❖ Performance Management Framework Policy
- ❖ Risk Management Policy
- ❖ Policy on Private and Urban Housing Development
- ❖ Informal Traders Policy
- ❖ Staff Retention Policy
- ❖ Indigent Burial Policy
- ❖ Tariffs Policy
- ❖ Protection Services Personnel Policy
- ❖ Subsistence and Travel Policy
- ❖ Travel Allowance Policy

Municipal staff will be encouraged to adhere to value for money principles in carrying out their functions. It is expected that this review will promote efficiencies in the finance department. Council has adopted a zero tolerance approach in respect of both internal and external audit reports and measures will be implemented to ensure that any material or fundamental issues are addressed immediately. It is expected that the internal audit function will raise any material or fundamental issues before external audit. Other issues arising will be prioritised and addressed accordingly.

### OVERVIEW SUPPLY CHAIN MANAGEMENT

The municipality has developed and adopted the Supply Chain Management Policy. A supply chain management unit is established operates under the direct supervision of the Chief Financial Officer.

#### Financial Viability and Management Swot Analysis

##### STRENGTHS

- ✓ Land for development(Urban and Rural)
- ✓ Tourism
- ✓ Qualified Staff Complement
- ✓ Existing facilities for rental
- ✓ Policies in place
- ✓ Supply chain management unit and policy in place
- ✓ Financial strategies in place to enhance revenue raising
- ✓ Less reliance on consultants

##### OPPORTUNITIES

- ✓ Tariffs imposing
- ✓ Revenue enhancement
- ✓ Implementation of cost cutting measures
- ✓ MSCOA will improve financial reporting ,planning and financial discipline

##### WEAKNESSES

- ✓ Limited rate base
- ✓ Lack of staff retention
- ✓ Recruitment of qualified personnel
- ✓ Acquisition of land
- ✓ High grant dependency
- ✓ Lack of capacity to implement projects
- ✓ Limited implementation on debt collection

##### THREATS

- ✓ Staff turnover
- ✓ Non- spending on conditional grants
- ✓ Debtors collection
- ✓ Theft and abuse of municipal assets
- ✓ Change management on MSCOA
- ✓ Grant dependence

## 2.7 BY-LAWS

### COMMENT ON BY-LAWS:

Municipal by-laws are public regulatory laws, which apply in a certain area, in this case Okhahlamba Municipality. A local or municipal government gets its power to pass laws through a law of the national or provincial government, which specifies what things the town or city may regulate through by-laws. The Okhahlamba Municipality has in terms of section 156 of the Constitution, 1996 (Act 108 of 1996), read in conjunction with section 11(3) (m) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) made the following municipal by-laws:

- ❖ Control of Outdoor Advertising.
- ❖ Pound By-laws.
- ❖ By-laws relating to Dogs.
- ❖ Public Health By-laws.
- ❖ Business licence by-law
- ❖ Public drinking by-law

## 2.8 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

### PUBLIC SATISFACTION LEVELS

From the community survey undertaken in respect of the community's satisfaction with the municipality, the results indicate that majority of the community is satisfied with the municipality.

**\*SEE MR MAZIBUKO**

Satisfaction Surveys Undertaken during: 2013/2014				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%) <sup>*</sup>
<b>Overall satisfaction with:</b>				
(a) Municipality	Questionnaire	Dec-14	84	89
<i>* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory</i>				

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

### INTRODUCTION

The 2017/18 financial year saw with it several infrastructure development projects funded through the government's largest local government's infrastructure development funding: the Municipal Infrastructure Grant (MIG).

Planned projects for the 2017/2018 financial year included: Vimbukhalo Hall, Mbhorompo Gravel Road, Geluksburg Community Hall, Bergville Sports Complex and Community Service Centre, Bergville Tarred Roads phase 05.

The tables below reflect 2017/2018 project breakdowns by name and ward, as well as the source of funding.

Okhahlamba Local Municipality received an allocation of R 28,742,000.00 for the implementation of Municipal Infrastructure Grant (MIG) projects for the current financial year 2017/18.

Appended below is a brief summary of budget allocation and commitments for 2017/18 financial year.

NO.	Project Title (as per MIG 1 form)	Approved MIG Funding	Actual Project Cost (Tender sum + fees)	Expenditure to date	Balance	Progress/ Status
1.	Bergville Sports Complex (ward 12)	10 000 000.00	34,276,211.47	25,772,051.41	13,302,829.67	85% Complete
2.	Bergville Tarred Roads Phase 5	10,000,000.00	15,793,715.27	15,793,715.27	0.00	100% Complete
3.	Mbhorompo Gravel road (ward 14)	2,500,000.00	2,755,409.00	2,755,409.00	0.00	100% Complete
4.	Geluksburg Community Hall and Creche (ward 13)	1,903,503.55	2,212,468.11	533 582.79	1,678,885.32	85% Complete

5.	Vimbukhalo Hall (ward 14)	3,200,000.00	3,523,520.23	695,035.64	2,828,484.59	55% Complete
6.	Makekeni Gravel Road (ward 03)	3,097,050.00	3,097,050.00	0.00	3,097,050.00	Tender Stage
7.	Bergville Tarred Roads Phase 06	17,000,000.00	17,000,000.00	1,532 008.61	15,467,991.39	Tender Stage

Okhahlamba Local Municipality will receive an allocation of R 27 014 000.00 for the implementation of Municipal Infrastructure Grant (MIG) projects for the current financial year 2018/19.

Appended below is a brief summary of budget allocation and commitments for 2018/19 financial year.

NO.	Project Title (as per MIG 1 form)	Actual Project Cost (Tender sum + fees)	Expenditure to date	Progress/ Status	Start date
1	Bergville Tarred Roads Phase 06 (Ward 11)	21,965,000.00	4,245,199.92	12% complete	26/04/2018
2	Makekeni Gravel Road (Ward 03)	6,199,347.93	2, 102,546.87	23% Complete	07/05/2018
3	Bergville Sports Complex (Ward 11)	7,094,283.12	0.00	90% Complete	23/04/2016
4	Ezimbokodweni Gravel Road (ward 06)	10,518,570.68	1,066,503.62	Contractor on site	19/07/2018
5	Qhozo Gravel Road (ward 05)	6,565,753.32	377,377.87	Contractor on site	17/07/2018
6	Ndunwane Community Hall and Creche (ward 03)	3, 547,736.43	322,844.00	Tender Stage	-
7	Masenga Gravel Road (ward 13)	3,006,617.74	195,150.53	Tender Stage	-
8	Edotsheni Pedestrian Bridge (ward 03)	3,078,000.06	3,078,000.06	Awaiting EIA approval	-
9	Ntumba Vehicular Bridge (ward 10)	1,830,909.27	1,830,909.27	Awaiting EIA approval	-
10	Emaswazini Gravel Road (ward 04)	6,052,010.02	6,052,010.02	Awaiting EIA approval	-
11	Mpameni Gravel Road (ward 07)	10,627,082.26	10,627,082.26	Awaiting EIA approval	-
		<b>80,485,337.83</b>	<b>29,897,624.42</b>		

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The municipality completed its Electricity Service Delivery Plan (ESDP) and realized that the current electrification backlog numbers are achievable. As a municipality, we have achieved 100% universal access to electricity connections by the end of 2017. We strongly believe that our target to electrify infills is within our reach.

#### **MASSIFICATION PROGRAM**

The Massification Program is an intervention made by the Department of Cooperative Governance to address serious challenges of service delivery in the Electrification of households.

The following grants were received:

2015/2016 Financial Year, R20 million allocated for Isandlwana Electrification Project during.

2017/2018 Financial Year, R6. 1 million allocated for Ebusingatha and Dukuza Electrification Projects.

#### **DUKUZA (WARD 4) AND EBUSINGATHA (WARD 6)**

Both Projects are constructed and ready to be energized.

Dukuza Electrification Ward 4 Project has 315 households. Esethu Isipho Construction is the Contractor in this Project.

Ebusingatha Electrification Ward 6 Project has 220 households. ZML Africa Projects is the Contractor for this Project.

Both Contractors are being managed by VWP Engineers as a consultant.

#### **DUKUZA (WARD 4)**

The project construction is at 98% complete.

MV Outages has been achieved.

Meter and Bases are still outstanding and procurement has been done to get meters delivered on site.

#### **CHALLENGES**

The biggest challenges we encountered in this is the increasing number of household that were not included in the Project budget.

There are 62 new households picked up during construction of the Project.

### **EBUSINGATHA (WARD 6)**

The Project construction is 98% complete.

Meters are outstanding, Bases have been installed in the households and waiting for outages to take place.

### **CHALLENGES**

There are 22 more new household picked during construction and were not marketed.

Below is a brief summary of budget allocation and commitments.

#### **COGTA MASSIFICATION GRANT = 6.1 MILLION RAND**

No.	Project Name	No. of Con.	Contract Value	Expenditure	Balance	Progress/ Status
1	Dukuza, Ward 4	315	6,099,382.12	4,099,793.49	1,999,588.63	- Construction is at 98%.
2	Ebusingatha, Ward 6	220	3,882,269.98	2,157,389.96	1,724,880.02	- Construction is at 98%.
	Professional Fees @14%		1,300,000.00	1,130,323.10	169,676.90	
	Meters and Bases		500,000.00	0.00	500,000.00	
	<b>TOTAL</b>	<b>535</b>	<b>11,781,652.10</b>	<b>7,389,506.55</b>	<b>4,394,145.55</b>	

### **NEW ELECTRIFICATION PROJECTS 2018/2019**

These Projects are at the tender stage where we are going to appoint the contractor per each Project. The new projects have about 700 connections that were pre-marketed and most of the connections are in-fills.

Ward 1 (Khethani) – 180 connections.

Ward 2 (Emmause) – 290 connections and

Ward 3 (Engoba & Emhlwazini) – 230 connections.

Preliminary and Detailed Designs for all Wards have been completed

There is a possibility of the total number to increase.

### **2016/17 FINANCIAL YEAR**

The municipality has received grant funding of R11.5 million for 2016/17 financial year from the Department of Energy for the Electrification Program. Below is another brief summary of budget allocation and commitments.

The Okhahlamba Municipality received a grant funding of R11.5 million for 2016/17 financial year from the Department of Energy for the Electrification Program.

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Furthermore in the 2017/18 financial year, the municipality received additional grant funding of R13 million for from Department of Energy for Electrification Projects around Okhahlamba Municipality.

### **ELECTRIFICATION PROJECTS AT WARD 9, 10, 12 AND 13**

In all these Projects, construction is complete. Ebhoweni Project is the only project where we are still awaiting outages.

#### **WARD 9**

##### **ENTABENI – FERIAKOP – KWALOGO – ENKAMBINI**

Entabeni Project is 100% complete. Meters have been commissioned and the entire scope of work was achieved.

#### **CHALLENGES**

There was an increase in the number of households which were not part of the project from the beginning and were not budgeted for.

There were 218 marketed customers and we ended up connecting about 300 customers.

#### **WARD 10**

##### **LANGKLOOF – ROOKDALE – ESITEBHSINI**

The Project construction progress is 99% complete.

Rookdale, Langkloof and Estebhisini construction is done only meters and bases are still outstanding.

The contractor will bring meters and bases as it was appointed to supply and deliver meters.

#### **CHALLENGES**

There was a need for line division since there was a transformer that was supposed to be at the farmer's field.

The increasing number of households which were not budgeted.

#### **WARD 12**

##### **LUNGELANI – KWASKHINDI – WOODFORD – EKHUBENI**

The Project overall construction progress is 99% complete.

Kwaskhindi has only two customers who do not have meters.

Ekhubeni has been energized and waiting for meters.

Emachibini complete.

### **WARD 13**

#### **EBHOWENI – GREENPOINT – VAN REENEN**

The construction is 96% complete and ready for Outage.

The outage has been booked at Eskom Ladysmith CNC and waiting for dates.

Meters and bases are still outstanding. The contractor will bring meters and bases as it was appointed to supply and deliver meters.

#### **CHALLENGES**

**The challenges that we encountered in this project are:**

Eskom FS and KZN issue of Zizamele customers which facilitated by the consultant, Dihlase Engineers.

One of the farmers did not sign way leave in time due to different reasons.

Network constrained at Gqumaweni and Joskei.

**Below is a brief summary of budget allocation and commitments.**

#### **DOE INEP GRANT = 11.5 MILLION RAND AND 13 MILLION RAND**

No.	Project Name	No. of Con	Contract Value	Expenditure	Balance	Progress/ Status
1	Ebhoweni-Greenpoint – Ward 13	206	7,056,324.52	4,441,501.52	2,614,823.00	96% Construction
2	Lungelani-Kwaskhindi – Ward 12	170	4,366,537.49	3,977,210.19	389,327.30	99% Construction
3	Langkloof-Estebhisini – Ward 10	264	4,448,875.50	4,003,987.95	444,887.55	99% Construction
4	Entabeni-Feriakop – Ward 9	218	3,644,899.12	3,299,797.84	345,101.28	100% Construction
	Professional Fees@14%		1,756,497.30	1,542,376.39	214,120.91	
	Meters and Bases	300	193,500.00	0.00	193,500.00	
	<b>TOTAL</b>	<b>858</b>	<b>21,466,633.93</b>	<b>17,264,873.89</b>	<b>4,201,760.04</b>	

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In terms of housing, we have made significant progress, and contained herewith is a summary of the current status of projects within the housing section:

## **Housing**

### **Current status of Housing Projects**

**1. Projects at close-out stage**  
**Zwelisha-Nhlanhleni housing project**  
**Ward 7 and 9**

This project commenced construction in January 2013 and completed in October 2015.

Project scope 283 units

Project budget was R27, 337,121.24

Project spent to date R22,425,717.97

Project balance to date R4,911,403.27

Project achievements:

- 283 units constructed and complete
- 87 transfers complete and ready to be handed over
- Balance 196 transfers

**2. Projects at construction stage**  
**Gugulethu housing project**  
**Ward 8**

This project commenced construction in June 2016 and end date is May 2019

Project scope 500 units

Project budget is R55, 121,022.57

Project spent to date R38,323,811.43

Project balance to date R16,797,211.14

Project achievements to date:

- 349 units constructed and complete
- Balance 151 units
- 100 units sanitation VIP Latrine constructed and complete
- Balance 174 units
- 0 transfers completed
- Balance 500 transfers

Projects construction is in progress. There are various social issues that are blocking progress in the project

- Land issue
- Beneficiary administration issue

### Suggested solutions

- Request to the DoHS for Project scope extension by 100 units to accommodate beneficiaries that were not captured
- Revision of the Project General plan to include households that were not included in the General Plan
- Department response is positive
- The Municipality is gathering required information for submission to the Department

### 3. Projects at planning stage

Project Name	Ward	No. of units	Project type	Budget	Start/End	Project status	Completion
Amazizi 2 Phase 3A	6	500	Rural	R1,464,295.00	16/18	Planning	98%
Amazizi 2 Phase 3B	6	500	Rural	R1,464,295.00	16/18	Planning	100%
Dukuza B	4&5	500	Rural	R1,464,295.00	16/18	Planning	100%
Moyeni A	8	500	Rural	R1,464,295.00	16/18	Planning	95%
Moyeni B	8	500	Rural	R1,464,295.00	16/18	Planning	100%
Emmause	2	1000	Rural	R2,928,590.00	16/18	Planning	100%
Acton Homes	11	1000	Urban	R3,228,450.00	16/18	Planning	90%

Currently there are no issues hindering progress in the projects.

### 4. Projects at feasibility study stage

Project Name	Ward	No. Of Units	Project Status
Hoffental A Rural Housing Project	4	750	Feasibility
Hoffental B Rural Housing Project	4	750	Feasibility
Intsukangihlale A Rural Housing Project	7	750	Feasibility
Intsukangihlale B Rural Housing Project	7	750	Feasibility
Masumpa A Rural Housing Project	9	750	Feasibility
Masumpa B Rural Housing Project	9	750	Feasibility

Mhlwazini A Rural Housing Project	3	750	Feasibility
Mhlwazini B Rural Housing Project	3	750	Feasibility
KwaSmahla A Rural Housing Project	14	900	Feasibility
KwaSmahla B Rural Housing Project	14	900	Feasibility
Nogaga A Rural Housing Project	9	1250	Feasibility
Nogaga B Rural Housing Project	9	1250	Feasibility
Mamfemfetheni Rural Housing Project	2	1500	Feasibility
Ogade Rural Housing Project	8	1000	Feasibility
Potshini Rural Housing Project	12	1000	Feasibility
Engoba Rural Housing Project	3	1000	Feasibility
Sandlwana Rural Housing Project	5	1500	Feasibility

All the above are not yet registered with the Department or do not have budget as yet.

#### 5. OSS Projects

##### 1. OSS/Disaster Housing Project

- At Engoba the construction of 87 units have been completed
- At Ezibomvu the remaining units will be constructed when the constructor goes back on site
- At Woodford, Bhethany, Greenpoint and Thintwa there are land challenges. The Department has not approved the Consent Letters or Agreements made between the Land owners and the tenants. It is possible that the contract may be terminated without building in the above areas.
- At Dukuza 39 units are complete but happy letters have not yet been issued to beneficiaries. The reason being that the units constructed are not registered with NHBRC. The Contractor Motheo is in the process of registering houses after a long disagreement with the Department.
- At Dukuza there are 14 units that are remaining for construction.
- At Moyeni, since the termination of Sunds Projects at Gugulethu, the Department has never extended the scope of Ntokozweni to construct Moyeni OSS/Disaster houses which was scheduled to be 53 units.
- The Department has received all the necessary documents of procuring the services of Ntokozweni but they have never responded on extending the scope.

In total there are 126 units constructed for OSS/Disaster in the Municipality

## Roads and Storm Water

### Achievements

- The municipality took a resolution to expand the road and maintenance team by purchasing new plants in order for the technical services department to have sufficient equipment to enable it to undertake service delivery efficiently and adequately.

The table below shows new plant/equipment that the municipality have purchased for roads section.

Plant/Equipment name	Quantity	Work category
1. Maintenance motor Grader	01	Roads
2. TLB	01	Roads
3. Pay loader	01	Roads
4. Excavator	01	Roads
5. Tipper trucks	02	Roads
6. Bakkie	01	Roads
7. Crew cab truck	01	Roads and handy man
8. Pad foot roller	01	Roads

- Construction of 1km per ward in all 15 wards completed. (10 days per ward)
- Additional road and storm water technicians.

### Challenges

- A Major challenge is availability of suitable material for re-gravelling of the roads as the commercial farmers are not prepared to have burrow pits on their properties, however, the Municipality is trying to resolve this by opening pits on Tribal Authorities land. Most of the Burrow Pits are not registered and have had no Environmental Impact Study done on them. There are therefore no rehabilitation plans in place. All new burrow Pits should be registered with the Department of Environmental Affairs and Agriculture and have the necessary plans drawn up to ensure that once they have been worked out they will not create a safety hazard and be detrimental to the environment.
- Councilors not informing the community about the programme, e.g. Community will complain to us why we are doing this road instead of that road.
- Machinery breakdown

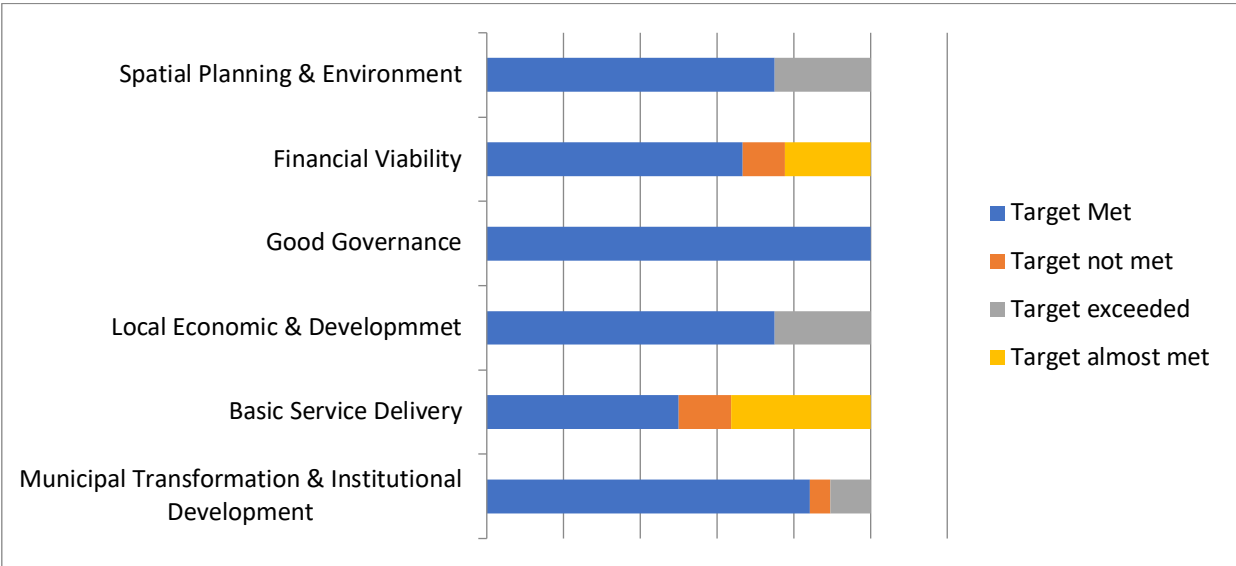
In an attempt to clean-up, and revamp the town of Bergville, emphasis was placed on infrastructure development and maintenance of the town. Bergville is currently undergoing major developments in the construction and upgrading of the sewerage system. The Municipality has made significant gains in the construction of the Bergville TVET College.

Our commitment is to ensure quality service delivery to the residents of our Municipality. We are working hard in ensuring that Okhahlamba keeps moving forward.

### 3.1 SERVICE DELIVERY: ACTUAL PERFORMANCE AGAINST TARGETS SET IN THE SCORECARD

This section of the Annual Report will report on the Municipality’s actual against Municipality target as per the Integrated Development Plan, the planning document of the municipality. Due to the fact that the Municipality has utilized {6} six KPA’s, we will report as such. The overview of the Municipality’s actual performance is linked to the National KPA’s. These are detailed in the graph below and performance against the National KIP’s is indicated below. A detailed report of the Municipality’s performance {Annual Performance Report} is also attached to the Annual Report.

#### Municipal Performance per Key Performance Area



#### FREE BASIC SERVICES AND INDIGENT SUPPORT:

Okhahlamba Municipality implemented an Indigent Support Policy to promote social and economic development within the community of Okhahlamba. The objective is to assist the indigent community with funding from the Inter-Governmental Transfer so that the community may enjoy services provided by the municipality irrespective of their financial situation. In order to qualify for such assistance, each indigent household is required to meet certain criteria. The municipality recognizes the high level of poverty that exists within the community and the high number of households whose monthly income is below the poverty line. The number of households who will receive such assistance will be determined by the Council on an annual basis, in relation to the equitable share allocation available for such purposes as determined in the annual budget.

An indigent register has been compiled for households with an income of less than R 4120 per month, or R49440 per annum which is considered indigent. The budget allocated to indigent support accounts for 2% of general expenditure in Final Annual Budget for 2017/18.

Refuse charge for services include residential areas such as Khethani were also discounted as indigent.

## COMPONENT A: ROAD TRANSPORT

### INTRODUCTION TO ROAD TRANSPORT

#### Road Condition

The following situation persists in respect of the condition of roads:

- ❖ Most of the roads in OLM are gravel,
- ❖ Some of the tarred roads are dilapidated with potholes and storm water is also an issue.
- ❖ There are only a few pedestrian crossing facilities that are available and non-motorized transport facilities are non-existing.
- ❖ Some of the bridges are damaged due to accidents.
- ❖ Access management is a problem.
- ❖ Road safety is a problem.

The following table indicates road type and length of roads in Okhahlamba.

ROADS	Blacktop	Concrete	Gravel
National	28	108	0
Provincial	385	0	65
District	95	0	276
Local	8	0	192
<b>TOTAL</b>	513	108	533

Source: Okhahlamba Roads Master Plan, 2012

#### Public Transport

As many of the community do not have their own motor vehicles, public transport is essential in providing mobility and accessibility of these communities to socio-economic facilities. Transportation within the Municipality is almost exclusively achieved through the use of road vehicles.

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Categories of transport are as follows:

- ❖ Public Transport – Taxis
- ❖ Private Transport – Passenger Vehicles
- ❖ Private Transport – Trucks

There are three public transport facilities catering for minibus taxis within Okhahlamba located in Bergville, Winterton and Emmaus. There are no facilities for buses, with the nearest bus rank being located in Ladysmith. The uThukela Public Transport Plan identifies that investigations are required with regard to the upgrading of existing minibus-taxi facilities in Bergville and Emmaus. A new minibus-taxi facility was constructed in Winterton.

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## COMPONENT B: PLANNING AND DEVELOPMENT

### 3.2 PLANNING

#### Introduction to Planning & Development

The planning section is responsible for all planning matters within the municipality, this includes the implementation of the KZN Planning and Development Act (Act 6 of 2008) working in parallel with the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA). The section is also responsible for co-ordination of the Municipality's Integrated Development Plan (IDP) as well as implementing the Municipal Performance Management System (PMS). However Building Plans and business licenses are constantly being assessed by this section.

#### Planning & Development

The Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) is a national law that was passed by Parliament in 2013. The law gives the Department of Rural Development and Land Reform (DRDLR) the power to pass Regulations in terms of SPLUMA to provide additional detail on how the law should be implemented. The final version of these Regulations (Regulations in terms of SPLUMA) was published on 23 March 2015. The law came into effect on 1 July 2015.

SPLUMA aims to develop a new framework to govern planning permissions and approvals, sets parameters for new developments and provides for different lawful land uses in South Africa. SPLUMA is a framework law, which means that the law provides broad principles for a set of provincial laws that will regulate planning. SPLUMA also provides clarity on how planning law interacts with other laws and policies. The law is important because the repeal of many apartheid era laws has left our planning laws fragmented, complicated and inconsistent. For this reason, section 3 of SPLUMA says that the law tries to develop a 'uniform, effective and comprehensive system' of planning that 'promotes social and economic inclusion'.

SPLUMA allows municipalities to have a Municipal Planning Tribunal which can be joint or a single MPT our municipality has chosen a single MPT which is a stand-alone the reason for this was that in the previous financial year the Municipality relied on the uThukela Development Planning Shared Services (DPSS) in assisting the municipality with the administration and implementation of the Act. The functionality of the District Shared Services had a number of challenges and this resulted in major delays with the processing applications. The Assistant Town Planner/Municipal Planning Registrar is responsible in processing these applications since he is registered with the South African Council for Planners (SACPLAN). This is a benefit to the section immensely in adhering to the regulated

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timeframes as well as the overall processing of applications. The municipality has a fully functional MPT which consist of eight member, seven of them being internal and one external member. The external member is the MPT chairperson. The municipal Town Planner was appointed as the Authorised Officer.

Nevertheless, enforcement of illegal development still remains a key challenge for the Municipality. The Building Control section working jointly with the Planning section is undertaking survey measurement on the existing building/s that are outside of the Municipal Town Planning Scheme. The municipality has appointed draughtsman to draw all buildings that do not have building plans this whole process is done internally. Having building plans benefits the community because your construction project is built right, will be safe, and will last. Building Permits are usually required for the following new buildings, additions (bedrooms, bathrooms, family rooms, etc.), residential work (garages, fences, pools etc.) renovations (garage conversions, basement furnishings, kitchen expansions, reroofing, etc.) electrical systems and plumbing **Integrated Development Planning (IDP)**

The Integrated Development Plan (IDP) is a five-year plan which local government is required to compile to determine the development needs of the municipality. The projects within the IDP are also linked to the municipality's budget. It aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people residing within the area.

Integrated Development Planning in South Africa is an integral planning process that steers development at local levels of government and guides service delivery. The Integrated Development Plan is a planning tool used to implement a co-operative and integrated development project in South Africa's spatial economy. This IDP process is dominated by community structures and allows for continuous and progressive development. Its development is guided by National and Provincial development and planning policies and other pieces of legislation. Therefore, the IDP is a legal obligation, which all government institutions must respect.

As a local government institution, the Okhahlamba Local Municipality (OLM) has adhered to municipal development policies such as the Municipal Systems Act, which state that all municipalities are obliged to undertake an IDP process to produce IDP's. In doing so, the Okhahlamba Local Municipality has considered the relevant legislative requirements and the IDP Framework Guide during the process.

The 2017/2018 IDP was developed in-house and the Representative Forum Meetings were held at the Municipal Offices and two strategic planning sessions were held in March 2017 and May 2017 respectively. The municipality undertook an intense public participation process through ward committee meetings that were held once a month in all fifteen wards, roadshows were held in April where the wards were clustered into four as well as stakeholder meetings that were conducted for the ratepayers in May 2017. This was done to ensure that the people themselves were active

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participants in the identification of needs, priorities and strategies for the development of communities. The IDP was adopted on 15 June 2016.

### **Performance Management System (PMS)**

The Integrated Development Plan (IDP) is one mechanism and instrument that seeks to give meaning to the developmental local government. At the centre of this process lies the challenge of addressing the extreme poverty, inequality and backlogs in service delivery and the challenge to overcome the enormous racial, gender and geographic disparities that exist in our communities.

The Municipality has designed a Performance Management System (PMS) that assists with the implementation and monitoring of the IDP. The Okhahlamba Municipality's Performance Management Framework guides and gives direction to the process of preparing and implementing the municipality's PMS. The performance management model provides a set of procedures and functional tools that enable effective implementation of a performance management system. It tells what aspects of the municipality's performance are measured and managed.

The 2017/2018 Organizational Scorecard was developed at the beginning of the financial year and was adopted with the IDP. The Service Delivery and Budget Implementation Plan (SDBIP) was approved by the Mayor and the Performance Agreements and Plans were entered into and signed by the Senior Managers in June 2016. Performance reporting was conducted quarterly and submitted to the Internal Audit section, Council and the Audit and Performance Audit committee. Internal audit findings were addressed through the development of actions plans and continuous follow-ups from the Internal Audit section. The performance reporting system underwent many challenges and scrutiny from the internal audit and audit and performance audit committee respectively which resulted in the review of the organizational scorecard and subsequent amendment to the 2016/2017 IDP, SDBIP and Performance Agreements and Plans. Due process was followed in the IDP amendment procedure and the amended scorecard was utilized in the development of the 2016/2017 Annual Performance Report for audit purposes.

### **PLANNING AND DEVELOPMENT OVERVIEW**

The department has been involved with one project in the 2017/2018 financial year aimed at improving the spatial structure of the municipality, promoting the efficient use of land as well as economic development through ensuring optimal use of the municipality's available resources. This project include high level project the review of the Bergville Urban Design Framework.

This plan seeks to expose the vision and goals, and context for development. The principles that align that urban planning and development are guided by other spheres of governments' policies, strategies and priorities. It is our responsibility therefore, to meet the objectives of the municipality,

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community members and all other relevant stakeholders regarding future development of project nodes. The existing land use and socio-economic characteristics form the basis for the urban or rural redesign and redevelopment model. This model is to ensure that the planned future development (public and private) not only serve the envisaged changing land use environment within the existing urban fabric of the node, but that it also unlocks the development potential of areas earmarked for future urban expansion.

## **PROJECTS**

### **Bergville Urban Design Framework**

The purpose of this study is the formulation of a Nodal Plan, for the future renewal and regeneration of Bergville in Okhahlamba Local Municipality. The study area, which is intended for nodal development will be broken down into more detailed precinct plans to guide the relevant decision makers in the right direction for the implementation of future plans and projects.

Three nodal areas have been identified in the municipality for consideration during the preparation of the plan, these areas being Bergville, Nondela and the Cable car precinct. These nodal areas have existing projects planned that need to be incorporated into a broader urban design framework. Projects and existing future for each node are envisaged as follows:

- Bergville
  - Sports Complex;
  - Community Service Centre (incorporated into Sport complex site);
  - Municipal Park;
  - Bowling Club;
  - TVET college;
  - Agripark & Fresh produce market;
  - Housing Development;
  - Shopping complex;
  - Light industrial hub, SMME facilities;
  - Alternative prison site; and
  - High School site proposals.
- Nondela
  - Town centre development; and
  - Tourism facilities
- Cable Car
  - Site development proposal for the development of the site to support activities of the cable car facilities that are required.

The vision and strategy for the urban renewal and regeneration of Bergville will help to guide the spatial, infrastructural, service delivery improvement for better quality of life for residents. For

municipalities, their goal is to ensure that small town and nodal rehabilitation allows for the socio-economic growth of micro-communities. Redevelopment should be ensured by strengthening and diversifying.

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

#### INTRODUCTION TO ECONOMIC DEVELOPMENT

The Okhahlamba Local Economic Development (LED) component consists of two Information Service Centres located in Bergville and Winterton as well as a Museum that is situated in Winterton. The Information Offices assist tourists with daily enquiries such as directions, information on accommodation, places to visit, phone numbers, emergency numbers and serve as a place of safety for stranded tourists as well as displaying brochures for tourism establishments, entertainment areas and restaurants/ food outlets. The Winterton office services mainly the tourists from the N3 to the Drakensberg Mountains and the Bergville Information office attends to tourists from the Central to the Northern Berg. There are two Craft Centres that are located on either side of the Ukhahlamba-Drakensberg Park World Heritage Site; one in the Northern Berg and the other one in the Central Berg.

Although the above-mentioned establishments are operational and available for use by the public and tourists in the municipal area, the impact is minimal as these establishments are not in a good state; they require improvement to ensure that they render proper service to our tourists. These establishments also require proper signage and the development of marketing strategies that will sell the municipality as a tourist destination through marketing the majestic mountains, spectacular landscape, the tourism establishments, craft centres, high quality scenic vistas and all the activities and attractions that we have to offer.

The Municipality is located in a very rich agricultural region and the eastern part is characterized by considerable arable land, which represents some of the highest potential agricultural land in the Province. The Okhahlamba economy is currently dominated by agricultural activities. Agriculture contributed R357 million to the economy of Okhahlamba in 2011 and the sector employed 2 718 people. Commercial agriculture occupies the majority of the municipal land area with the main activities being grains, vegetables and pastures for dairy and semi-intensive beef and mutton production. Subsistence farming is prevalent in traditional settlement areas, with the main agricultural activity within these areas being traditional ranching of cattle.

Smallholder agriculture also consists of maize, dry bean and vegetable production on a small scale and there is potential to produce a surplus for the market. Although there are opportunities for developing this market and encouraging small-scale commercial production, there is a lack of expertise, skills, and knowledge. These are constraints which must be addressed. The Okhahlamba Municipality, in partnership with the Department of Agriculture is working hand in hand to

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strengthen our agricultural projects and encourage small scale farmers to participate to develop our economy. In trying to address the market challenge for small scale farmers a Fresh Produce Distribution centre has been completed and is in full operation through the assistance of COGTA.

### **Tourism**

Tourism continues to play an increasingly important role in the local economy of Okhahlamba, with the wide asset base including a range of accommodation facilities, outdoor sporting and recreational activities. The Municipality also embarks on events promotions for tourism development. The main tourism destinations in the Okhahlamba Local Municipality are Cathkin Park, Cathedral Peak, Royal Natal National Parkland and Spioenkop, which includes the historical site, dam and lakeside resort run by KZN Wildlife. Locations of growing significance for tourism include the Mnweni Valley area, Okhombe and Busingatha Valley. Overall the Okhahlamba area represents (especially in partnership with surrounding areas e.g. Lesotho) one of the primary tourism potentials of South Africa.

Although there is a substantial private sector involvement and investment into the tourism industry there appears to be a lack of integration, marketing and a creative approach to local tourism. The tourism industry does provide jobs, but has not been integrated into the local community and its socioeconomic impact as a result has been limited. In an attempt to increase the number of visitors to the berg, a local map with the list of all tourism establishments has been developed. Also part of developing tourism within our community, Tourism Awareness has been organized through the Department of Education. This was conducted in all schools doing Tourism in four circuits, namely, Winterton, Bergville, Amangwaneni and Bethany Circuits. Statistics indicate that the number of tourists visiting the berg has increased compared to the last financial year.

The National Tourism Department has funded a learnership programme with Tourism World being appointed as the implementing agent. Okhahlamba Local Municipality has a total of 72 learners participating in the programme. The programme runs for a period of a year, and is divided into two separate streams which form courses. These streams include: Food and Beverage, and Accommodation. Each stream consists of 36 learners participating in the course. The Food and Beverage course began in September 2016 and will draw to a close in October. The learners participating in the Accommodation course started their programme in March 2017, and their programme will end in March 2018.

### **Exhibitions**

The Okhahlamba Municipality participates in exhibitions to market the area. Tourism KZN is assisting municipalities to participate in exhibitions. They buy a stand for the municipalities to attend, with the purpose of marketing the area. For the current financial year the municipality participated in the Tourism Indaba in Durban, the Gauteng Gateway and the Cape Gateway, KZN Travel adventure show, and a European road show which was attended by CTO representatives and the Mayor.

### **Informal Traders**

The Municipality is trying to organise informal economy actors in order to minimize the number of illegal street traders and enforce by-laws. This will be done through the upgrading of Trading Structures and to allocate informal economy actors accordingly. Phase two of the informal traders market stalls in Bergville, as well as Phase one in Winterton have been completed and the stalls have been allocated to beneficiaries. Phase three is also underway for both Bergville and Winterton.

### **Co-operatives and SMMEs**

Training courses that transpired through the Municipality provides technical skills for Co-operatives and SMMEs and in the 2017/2018 financial year 150 individuals from different Co-operatives benefited from the training. The trainings were conducted in conjunction with the Small business development and SEDA.

The number of registered businesses has increased to 380 and 50% of them are operational. Many SMMEs are involved in supply and delivery services. We are working with local NGOs like Okhahlamba Area Development Plan and Farmers Support Group to source markets for them as well as to provide advice and training.

The South African Revenue Services (SARS) visits our offices on the last Thursday of the month every month to assist Co-operatives and SMMEs with Tax Clearance applications and Annual Tax Returns. The Municipality is a business licensing authority. In the last financial year 35 business licenses were issued.

The Municipality has ring-fenced 30% of the Municipal budget strictly for Okhahlamba SMMEs and cooperatives. Revised regulations require organs of state to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million for local businesses to benefit and to enhance and encourage the development of local economies.

## **COMPONENT C: COMMUNITY & SOCIAL SERVICES**

### **INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES**

Okhahlamba Municipality identifies the improvement of economic and social infrastructure, access to quality education, and improved health care as priority issues. The development and maintenance of essential public infrastructure is an important ingredient for sustained economic growth and poverty reduction. Poor infrastructure is considered one of the most binding constraints to growth throughout the Municipality.

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Reasonable access to social infrastructure in remote, rural environments where there are still backlogs in roads infrastructure and access to strong cellular network and radio frequencies. The municipality has made significant gains in terms of increasing access to electrification, and this has had a notable impact on our communities. Infrastructure investment would contribute to economic growth and support social objectives. Access to social services is limited in terms of clinics and schools. Whilst there are schools in towns and settlements, they are in a dilapidated state without proper sanitation and potable water for both learners and educators.

## COMPONENT D: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

### INTRODUCTION TO ENVIRONMENTAL PROTECTION

Okhahlamba Local Municipality is located in a very environmentally significant area with the Drakensberg Mountains having outstanding natural beauty, a fascinating and ancient geology, great diversity in plant communities, some of the rarest animals in the world and the largest, richest and most concentrated series of rock art in Africa. The area needs to be managed appropriately in order to ensure a balance between conserving the environment and promoting appropriate tourism in the area.

#### **Biodiversity and Protected Areas**

The Municipality has a significant Protected Area Network and reasonably intact vegetation, which offers a high diversity of habitats, which support a large proportion of important faunal and floral species. The majority of Red Data plant species occur predominantly in the higher altitudinal areas of the Drakensberg, which are to the greatest extent protected (with exception of the Mnweni Valley). The Drakensberg Alpine Region is considered a centre of plant diversity and endemism. A total of 2 153 species of plants have been recorded for the uKhahlamba Drakensberg Park World Heritage Site of which 29.5% are endemic and 109 are listed as threatened species. A large proportion of these species are found within the Okhahlamba area (uThukela Biodiversity Sector Plan).

## COMPONENT E: HEALTH

### INTRODUCTION TO HEALTH

The most important health facility in the Okhahlamba is Emmaus Hospital, situated 15 kilometres from Winterton, which supports 6 clinics including Emmaus gateway clinic and 62 mobile clinic points located mostly in the southern part of the municipal area. These clinics are the Bergville Clinic, Busingatha Clinic, Dukuza Clinic, Amazizi clinic, Emmaus gateway clinic and the Oliviershoek Clinic. Most of the health issues dealt with at clinics relate to Preventative Tuberculosis and HIV-AIDS, family planning, Communicable chronic diseases (HPT, DM, Mental health) while the greatest causes of death amongst children are respiratory disease, malnutrition and Gastro Enteritis.

Emmaus hospital is a district hospital providing first level of care and all complicated specialised cases are referred to Ladysmith which is a regional hospital and other hospital like Grace

HIV/AIDS is one of the major factors influencing population growth. In South Africa, KZN was the province with the highest HIV/AIDS prevalence rate of 16.9% in 2012. Statistics regarding HIV/AIDS reflects that the prevalence of HIV/AIDS in KZN declined from 46% in 2006 to 12.6% in 2017. The prevalence of this disease affects the age group 15-39 the most adversely, resulting in higher mortality rates for this age group and a slower population growth. According to the Uthukela LED Strategy (2013), 14% of the population was living with HIV/AIDS in Okhahlamba in 2001, increasing to 15% in 2002 and remaining steady until 2011. The average infection rate in the municipality for 2001-2011 was 15%, which is equivalent to the district average of 15% for the same period (Uthukela LED Strategy, 2013).

The effect of HIV/AIDS is evident in South Africa's life expectancy at birth, which are 47. The impact of this disease are far reaching, affecting the economy, planning and social systems. From a planning perspective, it affects aspects of housing need and affordability, health facilities (increase in health care needs), education (decline in scholars) and an overall increase in the dependency ratio (orphans and elderly people).

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## COMPONENT F: SECURITY AND SAFETY

### Introduction to Security & Safety

The Municipality, in conjunction with the South African Police Services, provides safety and security services. Police Stations are located in Winterton, Bergville, Oliviershoek and Upper Tugela. Each police station has established a Community Policing Forum under its jurisdiction.

One of the major issues facing Okhahlamba is stock theft. According to police statistics, Bergville is among the country's stock theft hotspots and the investigation of stock theft is one of the services rendered by SAPS to all livestock owners in Okhahlamba. Through the Municipality's Traffic Section, roadblocks were initiated across various areas within Okhahlamba in a bid to reduce the criminal activity within the area.

Following a major challenge the region last year with an increase in violent armed robbery, hijackings and vehicle theft within the Bergville CBD. The municipality initiated a multi-stakeholder security forum comprising of local, district and provincial stakeholders. We also installed CCTV cameras within the CBD and have noticed a visible decrease in crime as a result. The CCTV monitoring system is controlled by the Municipality's Emergency Control Centre.

We have initiated a joint working team between SAPS, Crime Intelligence, local security companies and the Local Traffic Authority to combat crime within Okhahlamba. We have also developed a lasting relation with the South African Defence Force who also aid in our operations of fighting crime in the area.

The Municipality has installed high mast lighting within the taxi rank, and this has improved visibility in that precinct at night.

We note with concern the increase in the number of informal settlements in the precinct of the Taxi Rank and Bergville, and as a result the increase of criminal activity within town at night. We have, on multiple occasions, received complaints from our ratepayers and residents in this regard. As a result, we have instituted legal processes to eradicate the problem of illegal informal settlements and to mitigate the level of criminal activity at night in Bergville.

We have also embarked on a joint-operation between our Traffic Section and the SAPS to reduce the level of public disorder and public drinking, particularly over the weekends and during the evenings in Bergville.

The Municipality contributes to safety and security through their Protection Services. This law enforcement section manages traffic laws and by-laws.

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## **DISASTER, FIRE AND EMERGENCY RESCUE**

The Okhahlamba Disaster and Emergency Rescue Centre was launched in July 2016 and began its operations in assisting communities. We have a dedicated emergency hotline which is accessible by the community 24 hours a day.

Since the Disaster Centre was launched it has responded to various types of emergencies. Some of these include House and Fires, Tornado and Flood responses, drownings and recovery of bodies, and road accidents.

Over the course of the past year, the section has responded to 66 veld fires, 17 home fires, 2 business fires with an overall 219 homes being affected by fires. In essence, 1406 people have been directly or indirectly affected by fires within the municipality and have been assisted by the disaster management centre. The centre has distributed a total of 77 relief blankets, 8 food parcels, a relief plastic and 3 temporary shelters as immediate responses to disasters within the municipality.

The disaster centre further responded to a total of 168 motor vehicle collisions which saw 125 injuries and 36 fatalities. A total of 36 lost hikers were assisted, and at times, airlifted, through the assistance of the disaster management centre. Through this centre a total of 7 bodies were recovered due to drownings within various rivers, dams and canals within the municipality over the past year.

## **TESTING CENTRE**

The Okhahlamba Testing Centre, since its operation, has successfully assisted a number of people in obtaining their learners and drivers licences, as well as licensing of vehicles. It has developed a positive reputation of being one of the most efficient Licensing Centres within our district. There is a quick turnaround time for clients making use of this facility.

The central location of the testing centre makes it easily accessible by our communities, as well as the neighbouring towns.

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

### INTRODUCTION

#### **Departments**

The Municipality has the following 5 administrative departments namely the Office of the Municipal Manager, Social and Economic Services, Technical Services, Financial Services and Corporate Services.

#### **Administration**

The administration of the municipality is headed by the Municipal Manager. In addition to the Municipal Manager's Office, the municipality has four administrative departments, each being headed by a Director.

#### **Office of the Municipal Manager**

The Office of the Municipal Manager is responsible for the Internal Audit as well as the IDP/PMS, Communications, Legal, Town Planning and Risk Management and Compliance.

#### **Social and Economic Services**

Responsibilities for this department include Community Facilities, Library, Thusong Centres Management, Museum, Tourism, Local Economic Development, Traffic/ Law Enforcement.

#### **Technical Services**

This department is responsible for the implementation of all MIG projects (Housing/Roads/ etc), community services which includes Waste/Landfilled sites, Parks/Cemeteries, Pounding as well as Building Infrastructure.

#### **Financial Services (Treasury)**

The primary responsibility for ensuring transparency, accountability and sound financial management. This means ensuring that: all statutory requirements are adhered to monthly management reports, National Treasury in-year monitoring reports and annual financial statements are prepared and submitted on time, financial resources are effectively and efficiently utilised, and there is efficient implementation of the Supply Chain Management Policy.

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### **Corporate Services**

Derives its mandate from Council's key development objective (institutional development). It is largely an internally focused department with its primary objective on employee recruitment, skills development and enhanced administrative systems. It is the responsibility of this department to ensure that the Municipality addresses human resources related issues and to amplify technological applications within the municipality. Records Management, Receptionist, Committee/ Secretary, Messenger, Cleaning of the municipal buildings, and Information Technology all fall within the ambit of the Corporate Services Directorate.

## COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

### 4.1 EMPLOYEE TOTALS

#### Staffing Information

The Municipality currently have 309 staff members employed excluding Councillors (29), with 73 vacant posts (with budget and with no budget) as illustrated in the following table:

Function	No. of Staff	No. of Vacancies
Mayor	29 Councillors	None
Municipal Manager's Office	14	07
Corporate Services	33	08
Financial Services	34	13
Social and economic services	159	36
Technical Services	95	14
Total	335 ( + 29 Councillors)	78

Approved Posts

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## **Medical Aid Schemes**

All employees have the benefit of partaking or contributing towards medical aid schemes accredited by SALGA, the medical aid contributions are as follows: 60% by the employer and 40% by the employee except for senior managers who pay the full amount from their package.

Employees who are currently employed belong to the following Medical Aid schemes accredited by SALGBC:

KeyHealth;

Bonitas;

LA Health;

Hosmed;

Samwumed;

Employees are allowed to take any Medical Aid of their choice.

## **Pension/Retirement Funds**

All permanent municipal employees are compelled to take the Natal Joint Municipal Pension Fund (NJMPF) from the date of their employment.

The following benefits are available for all municipal employees:

The municipal employee has two kinds of pension funds, namely, the GEPF (The old Government Employee Pension Fund ) and NJMPF(Natal Joint Municipal Pension Fund) with three options (Provident, Retirement & Superannuation)

Municipal Councillors Pension Fund (MCPF) for Councillors is optional, they are not compelled to take/join the pension

Insurances/ Group Life covers are of choice.

Housing Subsidy – applicable to all permanent employees with a bond/housing loan from registered financial institutions.

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## **Occupational Health & Safety (OHS)**

The OHS Committee has been established, trained and it's functional. The Committee consist of employees/members from different sections under each department, the committee operates under the department of Corporate Services and terms of reference and policy have been developed in line with Occupational Health and Safety Act. It is co-ordinated under Corporate Services and the Occupational Health and Safety Officer has been appointed in terms of the Act.

## **4. 2 TRAINING AND DEVELOPMENT**

### **The Workplace Skills Plan (WSP)**

The status with the work skills plan is that in 2016/2017 is that 100% of the trainings has been implemented, excluding bursaries

The municipality is assisting the unemployed graduates to obtain their qualifications and give them experience based on their fields of qualifications, they are from different companies and institutions as follows:

<b>Mnambithi TVET</b>	<b>= 44 students</b>
<b>Themba Thembeni</b>	<b>= 09 students</b>
<b>Insika Foundation</b>	<b>= 03 Students</b>

The students came with their qualifications in different fields and they get mentors within the municipality who mentor and rate them on monthly basis in terms of their performance in their filled of work.

Also the municipality has the Learnership programme which is:

### **Electrical (Themba Thembeni)**

71 Students, drop outs 07 (left to complete is 64) will be completing end of August 2018

### **Carpentry (Mnambithi TVET)**

20 Students are currently busy with their practicals, they will be completing in November 2018

### **Masonry (Mnambithi TVET)**

20 Students currently busy with their practicals will be completing end of November 2018

<b>Area of Focus</b>	<b>No. of Learners on Bursary</b>	<b>Skills Programme</b>
<b>Finance</b>	<b>06</b>	
<b>Social and Economic Services</b>	<b>04</b>	
<b>Technical Services</b>	<b>01</b>	
<b>Corporate Services</b>	<b>07</b>	
<b>Municipal Manager</b>	<b>01</b>	
<b>Councillors/Exco</b>	<b>0</b>	<b>31</b>
<b>Total</b>	<b>19</b>	

### **Skills Programme**

Total number of 198 beneficiaries has been attending different trainings (skills programmes) departmentally.

- The total number of 64 employees were studying Municipal Finance Management Programme
- 23 of them completed their duration end of August 2018 and 41 employees completed in April 2018, the statement of results for all students has been received. The Service Provider is busy with the uploads of results still waiting for certificates.

### Internship and In-Service Training Programme

The Municipality embarked on an aggressive internship programme, with a view to providing qualified, in-service training and unemployed graduates with practical experience in order that they become employable.

**The distribution of Interns/ In-service Trainees was as follows:**

Area of Focus	No. of Interns	no. of in-service trainee
Finance	07	00
Social and Economic services	03	00
Technical Services	0	00
Corporate Services	02	00
Municipal Manager	1	00
<b>Total</b>	<b>13</b>	<b>00</b>

**Table 5: Distribution of Interns/In-Service Training Programme**

The Municipality continued with its aggressive internship programme, with a view to providing qualified, in-service training and unemployed graduates with practical experience in order that they become employable.

## 4.3 DISCLOSURES

### Remuneration of Councilors

COUNCILLOR	TOTAL COST (R)	
	2017/18	2016/17
Mayor	848716.14	781911
Deputy Mayor	687942.35	631173
Speaker	687942.35	631033
Executive Committee Members	1167326.93	1077740
Ordinary Councillors	6973242.97	6109106
<b>Total</b>	<b>10365170.74</b>	<b>9230963</b>

**Table6:** Remuneration of Councillors

### Remuneration of Senior Managers- Total Cost to Employer

	2017/18	2016/2017
Director Corporate	1276673,08	995798,05
Director Technical	1065547,73	1012017,77
Director Social and Economic Services	1066214,40	1012684,44
<b>TOTAL</b>	<b>3408435,21</b>	<b>3020500,26</b>

**Table7:** Remuneration of Social Managers

### Remuneration of Municipal Manager- Total Cost to Employer

	2017/18	2016/2017
Annual Remuneration	890788,31	1061535,04
Car allowance	180000,00	180000,00
Performance Bonus	153392,37	136577.80
<b>TOTAL</b>	<b>1224180,68</b>	<b>1378112,84</b>

**Table8:** Remuneration of Municipal Manager

### Remuneration of Chief Financial Officer- Total Cost to Employer

	2017/18	2016/2017
Annual Remuneration	205885,84	868042.50
Car allowance	72000.00	216000,00
Subsistence & Travel Reimbursement	00	00
Housing and other allowances	00	90000,00
Performance Bonus	00	116798,77
<b>TOTAL</b>	<b>277885,84</b>	<b>1290841,27</b>

Table9: Remuneration of the Chief Financial Officer

The following table provides staffing information:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top/Senior Management	25	0	0	1	8	0	0	0	0	0	34
Middle Management	8	0	1	0	1	0	0	0	0	0	10
Professionally qualified and experienced specialists and mid-management	14	0	0	0	21	1	1	2	0	0	39
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	25	0	0	2	41	1	0	0	0	0	69
Semi-skilled and discretionary decision making	22	0	0	0	0	0	0	0	0	0	22
Unskilled and defined decision making	12	0	0	0	21	0	0	0	0	0	33
<b>TOTAL PERMANENT</b>	103		1	3	92	1	2	2	0	0	207
Temporary employees	90	0	0	0	67	0	0	0	0	0	150
<b>GRAND TOTAL</b>	196	0	1	3	159	1	2	2	0	0	364

## CHAPTER 5 – FINANCIAL PERFORMANCE

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### INTRODUCTION

The Okhahlamba Municipality's most significant source of revenue is from grants. The contribution of the various alternative streams of revenue will be subject to review. Revenue raising strategies are listed as follows:

- Business License: Businesses should be required to have licenses to operate, and these should be renewable annually.
- Photocopier Register: A register should be kept for photocopy machines in order to record meter readings and the municipality should record copies made for private purposes, and minimal fees should be charged for these.
- Interest on Investments: Excess funds that are not due to be used in the current month should be invested with approved financial institution so that extra interest can be earned from these funds.
- Asset management: It is important to maintain a regular inventory of property, plant and equipment, implementation of a maintenance programme review and insurance cover. This part of the plan will be extended to assist in identifying and listing unutilised/ uneconomic assets with a view to dispose as previously indicated.

Okhahlamba has a Rates Policy, which is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy. This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. As allowed for in the Act, the Municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

#### **Municipal Consumer Debt Position**

This Municipality raises income from property rates, refuse removal, rates clearances and building plans. Other services are rendered on cash basis, meaning you first pay and then a service is rendered, except for property rates, refuse removal and letting of properties. When the Municipality bills income is recognised, but not all of this income reaches the Municipality. Our current recovery rate is sitting at 64%, meaning the municipality needs to implement a serious debt management and recovery strategy.

The Municipality has since implemented a Credit Control Policy, which prescribes steps to be taken to recover debt, more especially long outstanding debts. Firstly, the Municipality has planned on granting customers relief on interest and penalties for at least two (2) months in a year. During this period, all customers who pay all their accounts in full will receive a relief on their interest and penalties.

The Municipality has extended an invitation to the public to settle their outstanding debts through council incentives to write off interest. We have also initiated legal processes to recover debt through our debt collection strategy.

Even though the municipality has implemented these relief measures, the municipality still faces challenges in long outstanding debt recovery. An allowance for impairment of debtors of R 33 320 727 (which includes the write-off). The Municipality will issue two notices thereafter will issue a final notice for payment. Once a final notice is issued, we will institute legal action against defaulting debtors. Thereafter, the municipality will attach properties.

#### **Grants & Subsidies**

A municipality is supposed to be self-sufficient or at least largely self-funded. Access to funds is a key to the fulfilment of local government objectives and is a major enabler for delivery of sustainable services. However, the fiscal arrangement set out in Chapter 13 of the Constitution provides that local government is 'entitled to an equitable share of revenue raised nationally' and may also receive additional conditional transfers from national and provincial government. The Constitution also requires a municipality to raise its own funds through property rates, surcharges, service fees, etc. To this end, the local government fiscal framework provides a range of sources of funds, and does not limit municipal funding simple to own funds.

Okhahlamba is heavily reliant on grant funding, which accounts for 80% of revenue in the Final Annual 2017/18 budget, the Equitable share allocation accounts for 47% of grants, while Municipal infrastructure grant accounts for 13 % of the Final Annual 2017/18 budget. Other grants include

Grant Finance Management, Small Town Rehabilitation, INEP, LG SETA, EPWP, Arts & Culture subsidy and the Provincialisation of Library grant.

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2017/2018 FINANCIAL YEAR

#### Report of the Auditor-General to KwaZulu-Natal Provincial Legislature and the council on Okhahlamba Local Municipality

##### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the Okhahlamba Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Okhahlamba Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the 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, 2017 (Act No. 3 of 2017) (Dora).

##### Context for the opinion

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

##### Emphasis of matter

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

##### Material impairments

7. As disclosed in note 9 to the financial statements, the municipality raised a provision for bad debt amounting to R33,32 million (2017: R25,11 million) on consumer debts as the recoverability of these amounts was doubtful.

#### Other matters

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

#### Unaudited disclosure notes

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

#### Unaudited supplementary schedules

10. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedule(s) and, accordingly, we do not express an opinion on them.

#### Responsibilities of accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, Dora and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the Okhahlamba Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

## Report on the audit of the annual performance report

### Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected objective presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Objective	Pages in the annual performance report
Objective 2: Advance access to basic services	x – x

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

### Other matter

20. I draw attention to the matter below.

### Achievement of planned targets

21. The annual performance report on pages xx to xx includes information on the achievement of planned targets for the year.

## Report on the audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

24. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

### Other reports

29. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

30. An independent consulting firm was appointed to perform an investigation at the request of the municipality on allegations of possible misappropriation of assets which covered the period 2007-08 to 2009-10. The investigation is in progress.
31. Internal audit performed an investigation into ghost employees identified in the 2014-15 financial year. This was escalated to the South African Police Service and the investigation is in progress.

Pietermaritzburg

Date of signing



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for the selected objective and on the municipality’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Okhahlamba Local Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## 6.2 AUDIT & PERFORMANCE AUDIT COMMITTEE COMMENTS YEAR

### Audit Committee Report to the Council of Okhahlamba Local Municipality – 2017/18 Financial Period

#### Background

#### Audit Committee Mandate

The Okhahlamba Local Municipality has established an Audit and Performance Audit Committee in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to section 14(2)(c) of the Regulations and MFMA Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2016 (King IV).

#### Role of the Audit Committee

The role of the Audit Committee is to assist the Okhahlamba Local Municipality in achieving its strategic goals and objectives, by helping to maintain effective internal controls, risk management, accurate financial reporting and corporate governance principles, and other such duties as may be directed by the Council and Accounting Officer.

The Audit Committee must review and assess the qualitative aspects of financial reporting, the municipality's processes to manage business and financial risk, governance processes and compliance with applicable legal, ethical and regulatory requirements.

#### Audit Committee members

The Audit and Performance Audit Committee, consisting of independent, external members listed below, is required to meet at least 4 times per annum as per the Audit Committee Charter, although additional meetings may be called as the need arises.

### Audit Committee Members and Attendance

Details	Meetings	Status
Mr. P Mntambo – Former AC Chair	2	No Longer a Member
Mrs. S Kheshav	4	No Longer a Member
Mr. C Rautenbach	4	No Longer a Member
Mr. LB Van Der Merve – Current AC Chair	6	Active
Ms. N. Mchunu	3	Active
Mr V. Tembe	3	Active
Mr S. Zitha	3	Active

The Council of Okhahlamba Local Municipality has appointed its Audit Committee to assist the municipality in advising:

- Municipal Council, the political office-bearers, the accounting officers and the management staff of the municipality, on matters relating to:
  1. Internal financial control and internal audits;
  2. Risk management
  3. Accounting Policies
  4. The adequacy, reliability and accuracy of financial reporting and information
  5. Performance management
  6. Effective governance
  7. Compliance with the Division of Revenue Act (DORA) and any other applicable legislation (MFMA 56 of 2005, Section 166(2) (a )(i-ix)

In order for the audit committee to be effective and able to advise accordingly, we rely on the reports prepared by internal audit, information obtained from the management and accounting officers.

The following matters are being brought to the attention of the council of Okhahlamba Local Municipality:

### Risk management

Risk management becomes an important part in any business because of an increase in probability of occurring of events that could have positive or negative impact in the business. The risk assessment performed by Provincial Treasury was tabled to the audit committee and will be monitored during the financial year to ensure all risks identified are mitigated.

## **Internal Audit Plan**

The Internal Audit Plan was approved by the audit committee and all risks areas were adequately addressed. The committee will monitor the plan to ensure all projects planned for the current financial year are executed.

## **Internal Audit Reports**

The Audit and Performance Audit Committee has reviewed the following Internal Audit Reports as tabled by the Internal Audit Unit:

- Quarterly Performance Reports;
- Supply Chain Management;
- Secretariat Support;
- Dash Board Reports;
- Asset Management;
- Records Management;
- Traffic Services;
- Cleansing and Waste Collection;
- Human Resources
- Information Technology
- Revenue Management
- Disaster Management
- Special Programs
- Project Management
- Building Encroachments
- Library and Museums
- Local Economic Development
- Indigent Register

Recommendation by the Audit Committee:

The Committee would like to recommend that Management implements the Internal Audit recommendations as per the Internal Audit reports.

## **Conclusion**

The audit committee has a good working relationship with MPAC, Council and the Administration (Senior Management) and continues to discharge its responsibilities in a professional manner.

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**Barry van Der Merwe**

**Chairperson of the Audit and Performance Audit Committee**

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### Action Plan to address AG Findings:

**No matters were reported in the Auditor's Report.**

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” 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.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	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.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	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.
<b>Basic municipal service</b>	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.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	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.
<b>General performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.

<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	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".
<b>Outputs</b>	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.
<b>Performance Indicator</b>	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)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	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.
<b>Performance Targets:</b>	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.
<b>Service Delivery</b>	Detailed plan approved by the mayor for implementing the municipality's

<b>Budget Implementation Plan</b>	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.
<b>Vote:</b>	<p>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.</p> <p>Section 1 of the MFMA defines a “vote” as:</p> <p><i>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</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>