



Sedibeng District Municipality

# 2013-14 annual report



Sedibeng District Municipality

# **2013-14** **annual report**

# Table of Contents

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

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<b>COMPONENT A: MAYOR’S FOREWORD</b>	1
<b>COMPONENT B: EXECUTIVE SUMMARY</b>	8

## CHAPTER 2 – GOVERNANCE

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<b>COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE</b>	24
<b>COMPONENT B: INTERGOVERNMENTAL RELATIONS</b>	29
<b>COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION</b>	30
<b>COMPONENT D: CORPORATE GOVERNANCE</b>	32

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

---

<b>COMPONENT A: BASIC SERVICES</b>	37
<b>COMPONENT B: ROAD TRANSPORT</b>	38
<b>COMPONENT C: PLANNING AND DEVELOPMENT</b>	40
<b>COMPONENT D: COMMUNITY &amp; SOCIAL SERVICES</b>	48
<b>COMPONENT E: ENVIRONMENTAL PROTECTION</b>	57
<b>COMPONENT F: HEALTH</b>	60
<b>COMPONENT G: SECURITY AND SAFETY</b>	65
<b>COMPONENT H: SPORT AND RECREATION</b>	72
<b>COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES</b>	73
<b>COMPONENT J: MISCELLANEOUS</b>	82
<b>COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD</b>	82

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

---

<b>COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL</b>	85
<b>COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE</b>	87
<b>COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE</b>	92
<b>COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE</b>	97

## CHAPTER 5 – FINANCIAL PERFORMANCE

---

<b>COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE</b>	88
<b>COMPONENT B: SPENDING AGAINST CAPITAL BUDGET</b>	99
<b>COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS</b>	105
<b>COMPONENT D: OTHER FINANCIAL MATTERS</b>	109

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

---

<b>COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS Year -1</b>	110
<b>COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)</b>	110

<b>APPENDIX B</b>	- Committees And Committee Purposes
<b>APPENDIX C</b>	- Third Tier Administrative Structure
<b>APPENDIX D</b>	- Functions Of Municipality / Entity
<b>APPENDIX E</b>	- Ward Reporting
<b>APPENDIX F</b>	- Ward Information
<b>APPENDIX G</b>	- Recommendations Of The Municipal Audit Committee Year 0
<b>APPENDIX H</b>	- Long Term Contracts And Public Private Partnership
<b>APPENDIX I</b>	- Municipal Entity/ Service Provider Performance Schedule
<b>APPENDIX J</b>	- Disclosures Of Financial Interests
<b>APPENDIX K</b>	- Revenue Collection Performance By Vote And By Source
<b>APPENDIX K(i)</b>	- Revenue Collection Performance By Vote
<b>APPENDIX K(ii)</b>	- Revenue Collection Performance By Source
<b>APPENDIX L</b>	- Conditional Grants Received: Excluding MIG
<b>APPENDIX M</b>	- Capital Expenditure – New & Upgrade/Renewal Programmes
<b>APPENDIX M(i)</b>	- Capital Expenditure - New Assets Programme
<b>APPENDIX M(ii)</b>	- Capital Expenditure – Upgrade/Renewal Programme
<b>APPENDIX N</b>	- Capital Programme By Project Year
<b>APPENDIX O</b>	- Capital Programme By Project By Ward Year
<b>APPENDIX P</b>	- Service Connection Backlogs At Schools And Clinics
<b>APPENDIX Q</b>	- Service Backlogs Experienced By The Community Where Another Sphere Of Government Is Responsible For Service Provision
<b>APPENDIX R</b>	- Declaration Of Loans And Grants Made By The Municipality
<b>APPENDIX S</b>	- National And Provincial Outcomes For Local Government



# Chapter 1

## COMPONENT A MAYOR'S FOREWORD

This Annual Report is consistent and in compliance with legal requirement as legislated in terms of Section 46 of Local Government: Municipal Systems Act (No. 32 of 2000) read in conjunction with Section 121 and 127(2) of Local Government: Municipal Finance Management Act (No. 56 of 2003). Therefore in this part of the annual report, I strive for both compliance with the law and also give a political overview into the activities of the Sedibeng District Municipality as we pursue our legislative mandate.

The people of Sedibeng have for a very long time asked us, their mandated servants, in their Local Government, if our present model of governance serves them well or is this model more about us, as local politicians trying to stake our claims in the vestiges of local power?

This question kept on rising from various public participation processes which we have conducted as a District and the three (3) Local Municipalities in our jurisdiction. The multiple authorities in the current local government system in Sedibeng added more confusion as ordinary people could not understand how their given mandate is operationally functioning.

We set our collective eyes to studying what is the best way to serve our communities effectively and efficiently more than what beneficiaries in political and administrative offices have so far enjoyed with duplicate, as well as triplicate offered by these layers of governance which is clearly rejected by our communities.

The studies and analysis we have done pointed in the most sensible direction and that direction was to move towards the establishment of a sustainable governance model and a vision was set to work towards forming a Metropolitan form of governance.

The Sedibeng District Municipality as a coordinating structure in the region of Sedibeng, has all the right variables, important elements and quality leadership as well as moral authority to take this integrated governance forward. In the same vision we have also realized that obtaining unqualified audit opinions seven times in a row was not enough but we also needed to ensure that by 2014, the Sedibeng District Municipality obtains a clean audit especially because we were designated a pilot of the 'Operation Clean Audit' by the former Minister of Cooperative Governance and Traditional Affairs, the late Mr Sicele Shiceka.

We systematically worked tirelessly in the two key strategic programmes of ensuring that the Sedibeng Region does firmly put up a proposal for Integrated Governance and to make sure that all our local municipalities move along with us towards obtaining acceptable audit opinion from the Auditor General to ready ourselves to this vision.

Today I am proud to say that, the Municipal Demarcation Board has designated the Sedibeng Region the fourth Metropolitan Municipality in Gauteng, merging Emfuleni and Midvaal Local municipalities into this new Metropolitan City.

On the same point, I am equally humbled to announce that, in the financial year 2013/14, the Auditor General has pronounced a clean audit for the Sedibeng District Municipality and making this glorious Municipality the only municipality in Gauteng to obtain a clean audit. This is a realization and achievement which the Institution has worked on since it was declared one of the pilot municipality of the Operation Clean Audit.

In the Integrated Development Plan 2012-2017, the Institution has set itself a vision that seeks to integrate governance



and establish a single authority as it tries to address this confusion the people of Sedibeng have been raising about the current unsustainable model of governance we have been operating under.

We have furthermore outlined the method by which this vision has to be attained. The method seeks to promote and sustain Integrated Service Delivery that enhances and support the Municipality to achieve growth and development of the region of Sedibeng.

### **STRATEGIC OBJECTIVES**

- To promote efficient and effective Integrated Services that addresses the socio-economic and environmental development imperatives of the Region;
- To implement prudent and cost effective financial management and sustainability;
- To ensure good governance and sound management practices; and
- To ensure effective Service Delivery.

#### **(a) Vision:**

The above exposition clearly shows the determination about what we want to achieve as mapped out in the vision statement of our Integrated Development Plan for the next five years. The signpost is marked and the lighthouse is duly guiding our action towards realizing our vision and, some of its elements have been vigorously pursued during this financial year.

In the period under review, the Municipal Demarcation Board had received our application, assessed and evaluated our case wherein the Board was satisfied with our business case and therefore, pronounced that Sedibeng Region will become the fourth Metropolitan Municipality by 2016.

Building blocks are in place, the legal notices have been received, namely section 14(5) that gives guidance to processes and compliance matters relating to the process as we move to realizing a long realized dream together with communities of Sedibeng to 'Building towards a developmental Metropolitan River of Choice'

The establishment of the Vaal Metropolitan River City is not an end in itself, it is rather a mechanism that would enable us, your servants, to deliver the seven pillars of Sedibeng Growth and Development Strategy in a seamless, effective and efficient way.

#### **(b) Key Policy Developments:**

The most exciting policy development was to see the Intergovernmental Relations Framework in action with the unlocking of the roll out of the Sedibeng Regional Sewer in which the Department of Water and Environmental Affairs appointed Rand Water as the project manager.

Structures of governance for this project are in place, processes and systems are assimilated and implementation is at different levels and stages. The Sedibeng Regional Sewer Scheme alone represents the singular most catalyst to unleash developments in the South of Gauteng province and change the socio-economic and environmental landscape of this Region for ever.

The other key focused programme in the period under review has centrally been about increasing access to job opportunities and contributing to alleviating unemployment through the roll out of the Extended Public Works Programme and Community Works Project in the Region, we have been working with the Local Municipalities of Emfuleni, Lesedi and Midvaal to review their respective Local Economic Development Strategies.

These LED strategies are critical in our efforts to Re-inventing the Economy of the Region and hence we have moved forward to establish Regional Tourism Organization as a partnership vehicle with private and community stakeholders to develop and promote tourism.



The Gauteng Planning Commission has supported the Sedibeng District Municipality, together with its Locals, to develop a comprehensive spatial development framework that is linked to province wide spatial plans including alignment of the spatial frameworks to the new legislation, Spatial Planning and Land Use Management Act which aim at integrating more areas of our Region to develop sustainable economic and transport nodes and corridors. The Sedibeng District Municipality is an Air Quality Licensing Authority in the Region and accordingly this authority was exercised responsibly during the accidental burnt down of one of the plants at Arcelor Mittal. As a consequence, the Minister of Water and Environmental Affairs delegated the Sedibeng District Municipality to deal with the application of variation of scope by Arcelor Mittal.

The long awaited expansion to dual lanes of R82 by the Provincial Government through the Department of Public Transport and Roads has reached our municipal jurisdiction. Serious work has started in the Vaal Freight and Logistic Hub and the implementation of Vereeniging Intermodal Transport Facility is in the implementation as well.

We continue to see growth in the two prestigious awards in the region, which are the Sedibeng Tourism Awards and the Sedibeng Mayoral Awards in which we celebrate achievements, outstanding contribution and excellence in both events.

Local farming communities and cooperatives in Sedibeng have benefitted from the mechanization programme with tractors, farm implements and equipment to help small scale farmers and cooperatives in their agricultural activities and this has had a huge impact on their productivity and size of the land they can work on.

#### **(c) Key Service Delivery Improvements:**

During the year under review, the Sedibeng District Municipality has made major strides in the development of new four Precincts, in the land next to Vereeniging Fresh Produce Market, Vereeniging CBD regeneration/ Civic Precinct, Doornkuil and Waterfront precinct. The precincts plans have been produced with the technical support from the Department of Rural Development and Land Reform.

We have incorporated a new municipal entity under new Companies Act as a state owned company, Vaal River City Tourism Promotion Company, to promote our tourism offering in the region and the process of nominating and appointing the Board of Directors is unfolding very well.

The Sedibeng District Municipality has worked very well with support from Neighbourhood Development Programme to revitalize township infrastructure in unlocking economic potential of the townships in the Region. Through this partnership, we have started actual work toward the development of Sebokeng Cultural Precinct.

We have also received a delegation visit from City of Volta Mantovana in Milan to look at some of the areas of partnership and twinning programme we can enter into given similarities in the economic structure, natural resource of the river, the small scale and light industrial activities and the wine route between our municipalities. A twinning agreement was signed between the Sedibeng District Municipality and the City of Volta Mantovana.

#### **(d) Public Participation:**

Public participation is not a matter of choice on the side of the Municipality, it is a legislated process and therefore remains a cornerstone of democratic governance in order to deepen democracy. The Integrated Development Plan is a product of a widest possible consultations with a range of different stakeholders, especially local communities and organized sectors.

Chapter Five of the Municipal Systems Act of 2000 requires the Municipality to adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development planning. The Municipality through appropriate mechanisms, processes and procedures established in terms of Chapter 4, consult the local communities before adopting the process. The Municipality must give notice to the local community of particulars of the process it intends to follow.

The Sedibeng District Municipality in consultation with its Local Municipalities, adopted a regional framework for Integrated Development Planning for 2012/13 – 2016/17 in 2011. The Sedibeng District Framework determines procedures for coordination, consultation and alignment between the district and the local municipalities thereof which they happen to be bound by the same framework. The District Framework guides each local municipality in preparing its process plan.

- The planning guideline allows for learning processes and incorporation of innovations in planning and management approach. Encourage diversity of planning styles, given the diversity of the local realities of South African Municipalities.
- By finding balance between provisions of space within its frame and limiting it to ensure a certain common ground, common rules, and common language can be attained. The degree of commonality in municipal planning is determined by people's equal democratic rights in their society, and by the necessity for integrated development planning to form part of a nation-wide planning system, which requires smooth interaction between and within the three spheres of government.
- Achievable planning requirements: Keep planning costs low and encourage local ownership by keeping planning requirements as simple as possible, taking the limited resources and staff capacities of most municipalities into account. Nevertheless, it will take into consideration that a certain quality of planning is necessary to avoid wasting money on inappropriate investments. Accordingly, planning methods may have to differ between Category C (district municipality) on the one hand and Category B (local municipalities) on the other.
- Developmental orientation: Developmental local government is, in accordance with the White Paper on Local Government (WPLG), is a local government that is committed to working with citizens and groups within the community in finding ways to meet their social, economic and material needs and improve the quality of their lives.

This has implications for the integrated development planning process (which has to involve the public) and the outcome (which has to be related to overall developmental objectives).

- Delivery orientation: Planning is not an end in itself but a tool to arrive at more appropriate, effective and faster delivery of services to the people. Keeping a close and transparent link between planning, improved public management and delivery is, therefore, the most important guiding principle for the guidelines.

A myriad of legislation and policies are guiding the integrated development planning, however the overarching legislation and policy that guides integrated development planning principles are the Constitution and the White Paper on Local Government. Other legislations and policies deal with specific aspects of integrated development planning.

According to the Constitution (sections 152 and 153), local government is in charge of the development process in municipalities, and it is in charge of municipal planning. The constitutional mandate to relate its management, budgeting and planning functions to its objectives gives a clear indication of the intended purposes of municipal integrated development planning:

- to ensure sustainable provision of services;
- to promote social and economic development;
- to promote a safe and healthy environment;
- to give priority to the basic needs of communities; and
- to encourage involvement of communities.

The White Paper on Local Government (WPLG) considers integrated development planning explicitly as a tool for developmental local government. Besides relating integrated development planning to the developmental outcomes which are largely in line with the objectives stated in the constitution, the WPLG outlines why integrated development

planning is considered a necessary tool to achieve these purposes.

#### **Integrated development planning will:**

- help to align scarce resources behind agreed policy objectives and programmes;
- ensure that actions are prioritised around urgent needs;
- ensure the necessary integration with other spheres of government serve as a tool for communication and interaction with them; and
- Serve as a basis for engagement between local government and communities.

#### **SEDIBENG IDP REVIEW PROCESS**

Chapter five of the Municipal Systems Act of 2000 (Section 34) requires the Municipality to Annually Review and Amend the Integrated Development Planning and may do so-

##### **(a) Annual Review-**

- In accordance with an assessment of its performance measurements in terms of section 41; and
- To extend that changing circumstances so demand; and

##### **(b) May amend its Integrated Development Planning in accordance with a prescribed process**

On annual basis, the Sedibeng District Municipality holds regular public participation around September of every year to get feedback on the implementation of the previous IDP and the process plan by which the IDP review will be undertaken.

The next public participation meeting we host will be around March/ April after the Council adopts the draft Integrated Development Plan through sectoral engagement and Mayoral IDP meeting with local business and major employers in the Region.

The public participation process culminates in the State of District Address in May to adopt the final IDP after consultations have been exhausted and to give clear priorities as well as the strategic direction including strategic programmes for the next financial year.

##### **(c) Future Actions:**

The actions ahead include the coming online of some of Regional Sewer Scheme especially alleviation of the Sebokeng Waste Water Works Treatment Plant and the Meyerton Waste Works Treatment Plant whilst at the same time parallel to this alleviation, processes for a bigger project unfold.

This project is very important to unlock all our development programmes in the Region and this will grow the economy to create opportunities as well as improving the quality of life for the people. We intend to expand the roll out of Expanded Public Works Programme and enrol more unemployed people into this programme largely to massively clean and keep our towns of Vereeniging, Vanderbijlpark and Meyerton clean and also extend it to social, environmental and non-state actors.

The inter-modal public transport facility and the improvement of road infrastructure in the Region is crucial to easing movement of goods and services which could traverse the Region with the Vaal Freight and Logistics Hub and reduced the cost of doing business in the region while at the same time maintain Sedibeng's original position as the manufacturing base.

The Sedibeng Region will be strengthening its position and positioning itself as a 'Hydropolis' area of Gauteng in which the Vaal River and Vaal Dam waterways will be key for the development. Waterfront development and related precincts

are key projects going forward.

The Region continues to thrive at the back of its heritage assets and this is tourism offering we intend to build and maintain our status as a Cradle of Human Rights.

**(d) Agreements / Partnerships: Announcements on special partnerships initiated.**

We have partnership agreements with Gauteng Provincial Government on Intermodal Public Transport Facility, signed agreement and protocol with Department of Infrastructure and National Department of Public Works. We have intergovernmental partnership together with the Department of Water Affairs and Rand Water for Regional Sewer Scheme.

We also have the Volta Mantovana twinning agreement and the Department of Agriculture and Rural Development for the mechanization programme to support agriculture.

**(e) Conclusion: Final thoughts on the year.**

The journey continues, the successes and the milestones ahead are being achieved together with you the people of Sedibeng.

We now have a new mandate from you thorough the 2014 General Elections that of putting more emphasis on issues of the socio-economy and of which we as the Sedibeng District Municipality and its constituent local municipalities commit ourselves to spare neither strength and courage to adhere to the mandate you have bestowed on us.

(Signed by:)  \_\_\_\_\_  
**Mahole Simon Motokeng**  
**Executive Mayor**

**1.1 MUNICIPAL MANAGER’S OVERVIEW**

This Annual Report is presented as a report of the activities and review of the 2013/2014 financial year under the following chapters:

- CHAPTER ONE – Mayor’s Foreword and Executive Summary
- CHAPTER TWO – Governance
- CHAPTER THREE – Service Delivery Performance
- CHAPTER FOUR – Organisational Development Performance
- CHAPTER FIVE – Financial Performance
- CHAPTER SIX – Findings of the Auditor-General

These chapters are augmented by an extensive list of appendices that provide greater insights into the work of the municipality.

The framework that is defined by these chapters are more than adequate for the presentation of an easy to read, publicly comprehensible Annual Report. The prescriptions under each chapter however assumes that a ‘one-size-fits-all’ is applicable. These are distinct areas of reporting that are required by a Category A, B and C municipality, and this is not accommodated in the prescribed template. Despite these challenges, this Annual Report is presented with additional notes to ensure that this report is as full and complete as possible.



The year under review has been largely successful in most operational areas, and I trust that the details in the Annual Report will support that assessment and also reveal areas of weaknesses that require attention by the administration. I therefore submit the following in the specifics in the areas noted:

**(1) THE ALIGNMENT OF SERVICES TO IDP INDICATORS AND COUNCIL PRIORITIES.**

The Operations of the Sedibeng District Municipality are well aligned to the IDP in that there is a tight alignment with the 7 priority areas as set out in the Second Generation Growth and Development Strategy (GDS-02). The role and function of a District Municipality dictates that while the District Municipality oversees the overall development of the area, most of the public services are rendered by our three local municipalities (Emfuleni, Midvaal and Lesedi).

**(2) SERVICE DELIVERY PERFORMANCE**

The Sedibeng District Municipality renders only a handful of direct services to the public. The overview of these services is as follows:

NO	PUBLIC SERVICES	MUNICIPAL MANAGERS OVERVIEW COMMENT
1	Air Quality Management	2 Air Quality monitoring stations operated by SDM are functional. Data is also obtained from other monitoring stations that are run by National Government. The District issues licences to industries to regulate their emissions into the atmosphere. Currently no licensing fee is being levied. Once this has been set, the function will have an income that could be used to ensure greater monitoring and compliance.
2	Driver Licensing Testing Centres (DLTC’s)	The service is functional. Ageing infrastructure has hampered operations and services being delivered at an optimal level. Allegations of fraud and corruption remains a major challenge at all DLTC’s

NO	PUBLIC SERVICES	MUNICIPAL MANAGERS OVERVIEW COMMENT
3	Motor Vehicle Registration and Licensing	The service is fully functional and several new and innovative ideas have been proposed and implemented to improve services to the public.
4	Public Halls (Vereeniging City Hall)	The Vereeniging City Hall remains the most cost effective public hall in the District and is fully utilised by the public for a variety of events and functions. The comparative low rates charged for the hire of the City Hall (and adjoining Banqueting Hall) make it accessible to the public but also inhibits capital investment in the development thereof.
5	Theatres (Mphatalatsane Theatre and Vereeniging Civic Theatre)	The Mphatalatsane Theatre has become a multipurpose facility for the Sebokeng Community. It is therefore of great concern that the infrastructure is deteriorating rapidly. The Sedibeng District invested in emergency repairs to keep the facility functional but jointly with Emfuleni, a long-term upgrade is urgently required. The Vereeniging Civic Theatre is functional but also under-utilised by the arts community. It is also under-performing in relation to its income potential.
6	Aerodromes	The Vereeniging Aerodrome and Heidelberg Aerodromes are fully functional. For the period under review, the Vereeniging Aerodrome has continued to improve its services and supply of fuel, general maintenance and usage that stabilised. The Heidelberg aerodrome is primarily operated by the local flying club and a pilot training school is also based at the facility. The uncontrolled development of the facility by private operators is of concern. A former landing strip in Vanderbijlpark is still listed as an aerodrome, but is completely non-functional and needs to be deregistered. It runs alongside a residential community and is therefore unsuitable for re-establishment.
7	Disaster Relief	The service is fully functional. It does however only have capacity to provide very limited, small scale , emergency relief in incidents of natural disaster and mishaps. Disaster Relief is intended for short-term interventions, however, due to a lack of relevant transfer of incidents to relevant authorities, the District is being burdened with having to provide long-term solutions (eg emergency sanitation at Bears Farm in Midvaal). In the event of a large scale disaster, the District will be fully dependant on the support of Provincial and National programmes.
8	Heritage Centres (Vaal Teknorama, Sharpeville Monument )	The Vaal Teknorama is fully functional and still attracts a steady flow of visitors (especially schools). The facility is deteriorating rapidly due to a lack of maintenance. The Sharpeville Heritage precinct is functional. Supporting maintenance by Emfuleni around the precinct (especially Constitution Walk and the Circle) must be speedily resolved. The addition of the Boipatong Memorial Site to our portfolio will further stain our limited resources.
9	Taxi Ranks	The SDM does maintenance and cleaning of Taxi Ranks across the District. Most of these facilities are not owned by the SDM, and the overlap on infrastructure maintenance and cleansing has led to many of the taxi ranks being inadequately maintained. The Vereeniging Inter-Modal Hub development at the Vereeniging station will go a long way to revamping the Taxido Junction Taxi Rank.

The above table does not reflect sufficiently on the primary role and function of the Sedibeng District Municipality. For completeness it would be important to note the following 'services', from which the community derives benefit:

NO	PUBLIC SERVICES	MUNICIPAL MANAGERS OVERVIEW COMMENT
1	Support to Local Municipalities	The Sedibeng District continues to support the local municipalities, wherever possible, and is willing to avail both financial and human resources wherever possible. The shrinking Capital Budget of the District has seen diminishing support in capital projects. The 'Smart City' project being driven by the District Municipality, and the investment in fibre-optic infrastructure, is an essential support provided to local municipalities. Inter office connectivity in Emfuleni has been enhanced, while plans are unfolding to do the same for Midvaal.
2	Facilitating Role between spheres of government	The Sedibeng District facilitates a number of projects that are implemented in communities. These include the NDPG (Neighbourhood Development Partnership Grant) projects, Alien Vegetation Project, Lotto Sports Facilities Development Project, Fabrication Lab Project, Bio-digesters Project, Energy Conservation Projects, HIV-Aids support project.
3	Facilitating Development	This remains one of the key areas that the District plays and essential role in. Both in the areas of economic development and in social development, the District stimulates investment and facilitates development. Interventions and facilitation of developments such as Savannah City, the R82 road, the R59 corridor, The Zone of Opportunity, Barrage in fill development are all examples of 'services' that the District delivers and that communities benefit from indirectly.

As a report on the implementation of the Integrated Development Plan in relation to service delivery performance, The Annual Performance Report will show that the 2013/2014 IDP contained 398 targets of which 336 (84%) were met and 62 (16%) were not met. The inclusion of several deliverables by the TIE Cluster which were not backed with funding exposed a weakness in the alignment between the IDP and the Budget. These deliverables should not have been included in the IDP and instead should have been reflected as targets subject to funding outside of the IDP. This has led to the Cluster failing to achieve 45 of its 84 targets (54%). The key performance indicators continue to improve gradually but still require greater clarity in term of the 'SMART' principles (Specific, Measurable, Attainable, Realistic and Timely), as we move forward.

The full Summary of Performance targets for each Cluster are as follows:

Office / Cluster	Total Targets	Targets Met	Targets Met %	Targets Not Met	% Targets Not Met
Office of the Executive Mayor	12	12	100%	0	0%
Office of the Chief Whip	12	10	83%	2	17%
Office of the Speaker	11	10	90%	1	10%
Office of the Municipal Manager	42	39	93%	3	7%
Finance	35	35	100%	0	0%
Corporate Services	63	56	88%	7	12%
Community Services	61	60	97%	1	3%
Transport, Infrastructure & Environment & Licensing	84	39	46%	45	54%
Strategic Planning & Economic Development	78	75	96%	3	4%
<b>TOTAL</b>	<b>398</b>	<b>336</b>	<b>84%</b>	<b>62</b>	<b>16%</b>

### (3) FINANCIAL SUSTAINABILITY AS REPRESENTED BY THE FINANCIAL HEALTH RATIOS

While the Sedibeng District remains viable, the tight financial position of the Municipality cannot be underestimated. The gap between the increase in equitable share and the actual increase in the cost of operating the Municipality (2.4% versus an actual cost of 8%) is annually reducing the capacity of the municipality at an average rate of 5% of its total budget. In real terms, we have approximately R20m less to spend every year for the same operations.

Over the last few years the capital budget has been squeezed out to a negligible amount. Now operations are being squeezed with maintenance taking the biggest hit. Without a Cost Reduction Strategy and the Cost Containment Programme in place, the Municipality will be rendered unsustainable.

The concerns raised by the Auditor-General over the 'going concern' is a valid concern that must be addressed. Stringent restrictions in non-essential expenditure must be maintained. Expenditure on travel, conferences etc. should also be approved on a prioritised and selective basis. The salary budget remains excessive in relation to the services and functions of the municipality. Local municipalities should consider drawing staff from the District to fill vacancies as this will benefit both municipalities. The municipality can also do much better in increasing revenue at the Fresh Produce Market, aerodromes, theatres, halls, licensing centres (only a portion of which is retained by the District) etc.

One of the key challenges in the year under review has been to sustain the 'Clean Audit' that was achieved in the previous financial year (2012/2013). Sustaining a Clean Audit, as many municipalities across the country have come to discover, can be harder than achieving the target. Complacency can easily lead to regression. The fact that the Sedibeng District has sustained its Clean Audit is commendable. There is no 'special formula' for achieving this target other than ticking all the right boxes. It is however worth sharing the following good practices that have helped to achieve and sustain the Clean Audit:

1. Executive Mayors play a key role in achieving Clean Audits by eliminating 'interference' in the Administration and affording professional courtesy to the administration. In return, Accounting Officers must be alive to political imperatives and strive to implement these in a fully compliant manner. A sound Political-Administrative interface is a hallmark of 'Clean Audits'. The Executive Mayor and the Accounting Officer must set the tone in this regard.
2. Ensure compliance with laws and regulations. Sect 71, 72 and 54 reports submitted timeously.
3. Reconciliations on all Statement of Financial position votes are performed on a monthly basis.
4. Bank reconciliations are done within 4 working days after the end of each month.
5. Creditors are paid twice a month in order to adhere to MFMA requirements of payment of creditors within 30 days.
6. Do an Annual Policy Review to incorporate any changes in legislation. The environment changes very quickly in this regard.
7. Stay abreast about any changes within the GRAP standards and implement changes timeously.
8. Take an ultra-conservative approach to deviations from supply chain procedures. Only in extreme cases and when fully justifiable, should deviations be accepted. Even then, keep all evidence. Emails, text messages, photo's etc. must be demanded to support the deviation.
9. Be mindful of doing business with people who are in the employ of the state. Some grey areas do exist in the legislation so err on the side of caution.
10. Ensure that time is spend with the Audit Team to explain the Performance Management system your municipality is implementing BEFORE the auditing process begins. Systems differ widely and a sound understanding is needed before an audit can be made on consistency and usability.

While the list above notes what the municipality did well, it is also worth noting the areas that require more attention and effort. These include:

1. Eliminating the need for adjustments in the Financial Statements
2. Tighter compliance in Supply Chain.
3. On Performance Management, greater consistency is needed and several targets that do not meet the 'SMART' criteria are slipping into the SDBIP's.
4. Greater emphasis on contract management.

The financial model for the District Municipality dictates that the institutional structure needs to be continuously shrunk to ensure on-going viability. The moratorium on the filling of vacancies has continued and this has led to several areas of strain. The uniform financial ratios and norms as prescribed by National Treasury indicate the following areas which need to be addressed:

1. Cash flow needs to improve as the current liabilities exceed the current assets. This is having an impact on the liquidity of the municipality.
2. Repair and Maintenance on fixed assets are below the threshold and adjustments need to be made to prevent deteriorating assets.
3. Revenue growth is below the CPI which indicates that less can be spent on the same functions to be rendered. This implies a reduction in service.
4. Employee related cost is above the norm set by National Treasury and steps need to be taken to reduce this level.
5. Fixed assets are impaired at a higher rate than renewing or replacing assets which indicate a reduction in fixed assets.

#### **(4) ENERGY CONSERVATION (INTERNAL)**

On the aspect the efforts the municipality is making to conserve power and water in its offices and other facilities to compliment the conservation measures its residents are being requested to adopt in their own housekeeping, the Sedibeng District has made limited



progress. An extensive study was undertaken to look at energy saving measures in all SDM buildings. Progress has been made in areas of replacement of light bulbs to energy efficient lighting. Other recommendations from the study are yet to be implemented. Behavioural consciousness amongst the workforce could also be improved. Work patterns do not indicate conscientiousness amongst employees on energy conservation. A dedicated programme has been initiated on saving on the use paper to ameliorate its negative impact on the environment.

#### **(5) SHARED SERVICES**

The only active shared service remains the IT services. The Sedibeng District oversees three areas of the services via Service Level Agreements, i.e. Expanding and maintaining the Wide Area Network, supporting the DRP (Disaster Recovery Programme) and promoting standardisation of systems for easy integration. The system is functional. The Service Level Agreement with Emfuleni remains unsigned for several years now, and the shared service is compromised as a result. Many areas of shared services are being looked into, but no tangible proposals have emerged thus far. These areas include:

- a. Sharing Fleet Management Systems
- b. Performance Management Systems (PMS) standardisation
- c. Accounting and Internal Auditing Services
- d. Forensic Investigation Services
- e. Centralised Procurement of consumables (stationery, printer cartridges, paper etc.)
- f. Banking Services
- g. Security Services
- h. Insurance Services

The above list is by no means complete, and does provide great opportunity to create saving through economies of scale and adopting best practices that exists amongst the District and its locals. The future prospects of a Metro, and the associated migration process, may well activate these possibilities in the future.

#### **(6) METRO MIGRATION**

The Municipal Demarcation Board announced the move to a Metro on 15 August 2013. This important announcement had a significant impact on the future planning of the Sedibeng District Municipality. The District and its three local municipalities met between 03-05 March 2014 at a District Wide Lekgotla to align their IDP's and to map out a transition process toward the Metro. The formal process was initiated with the publication of Section 14(5) Notice and the first Joint Sitting of the incoming Metro Council (Sedibeng, Emfuleni and Midvaal) was held on 16 April 2014. Since the Joint sitting, the nominated members onto the political and technical steering Committees have not been convened by the MEC for CoGTA. This process had unfolded in parallel to a legal challenge from the Midvaal Local Municipality. The year under review closed with great uncertainty on the future of the Metro and the impact on forward planning has been severely hamstrung. It is expected that this uncertainty will be resolved sooner, rather than later to enable important forward planning to unfold, especially on institutional development.

**Yunus Chamda**  
**Municipal Manager**

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

The SDM render municipal health services across the Sedibeng region. Water quality monitoring is one of the priority programmes of the District in ensuring that safe and clean water is provided to communities for human consumption.

The SDM in partnership with PRASA and Province has embarked on the development of the Vereeniging Intermodal facility. The main contractor has been appointed in November 2013. The SDM is not directly responsible for waste management (refuse). However, the SDM in collaboration with the DEA update the Integrated Waste exchange project for Sedibeng District is under development which has had limited success to date.

The Sedibeng District Municipality facilitates a number of projects that are implemented in communities. These include the Lotto Sports facilities Development Project, Bio – digesters Project Energy Conversation Projects, development of Vereeniging Intermodal facility and the Bontle ke botho ( clean and green campaign ) and the upgrading of the Vereeniging and Vanderbijlpark motor vehicle licence testing facilities.

### TOTAL POPULATION - SEDIBENG, GAUTENG AND NATIONAL TOTAL, 2003-2013 [NUMBERS PERCENTAGE]

	Sedibeng	Gauteng	National Total	Sedibeng as % of province	Sedibeng as % of national
2003	803,000	9,790,000	46,600,000	8.2%	1.72%
2004	812,000	10,000,000	47,100,000	8.1%	1.72%
2005	821,000	10,300,000	47,600,000	8.0%	1.73%
2006	833,000	10,500,000	48,200,000	7.9%	1.73%
2007	847,000	10,800,000	48,800,000	7.8%	1.74%
2008	864,000	11,100,000	49,400,000	7.8%	1.75%
2009	878,000	11,400,000	50,000,000	7.7%	1.76%
2010	895,000	11,700,000	50,800,000	7.6%	1.76%
2011	912,000	12,100,000	51,500,000	7.6%	1.77%
2012	927,000	12,400,000	52,200,000	7.5%	1.77%
2013	942,000	12,700,000	53,000,000	7.4%	1.78%
<b>Average Annual growth</b>					
2003-2013	<b>1.62%</b>	<b>2.64%</b>	<b>1.30%</b>		

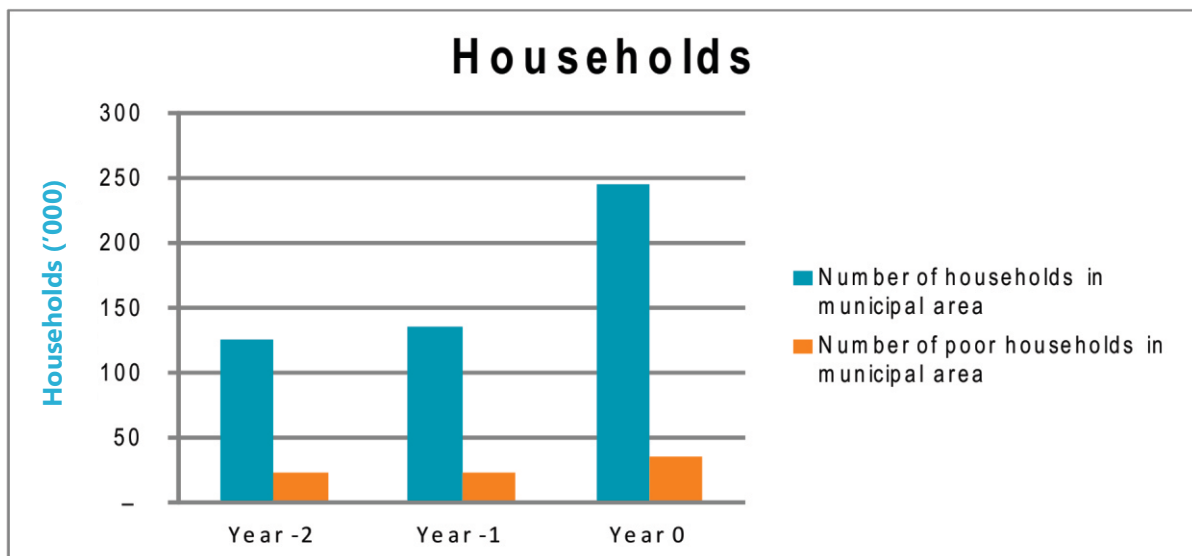
Source: IHS Global Insight Regional eXplorer

With 942 000 people, the Sedibeng District Municipality housed 1.8% of South Africa's total population in 2013. Between 2003 and 2013 the population growth averaged 1.62% per annum which is slightly higher than the growth rate of South Africa as a whole (1.30%). Compared to Gauteng's average annual growth rate (2.64%), the growth rate in Sedibeng's population at 1.62% was close to half that that of the province.

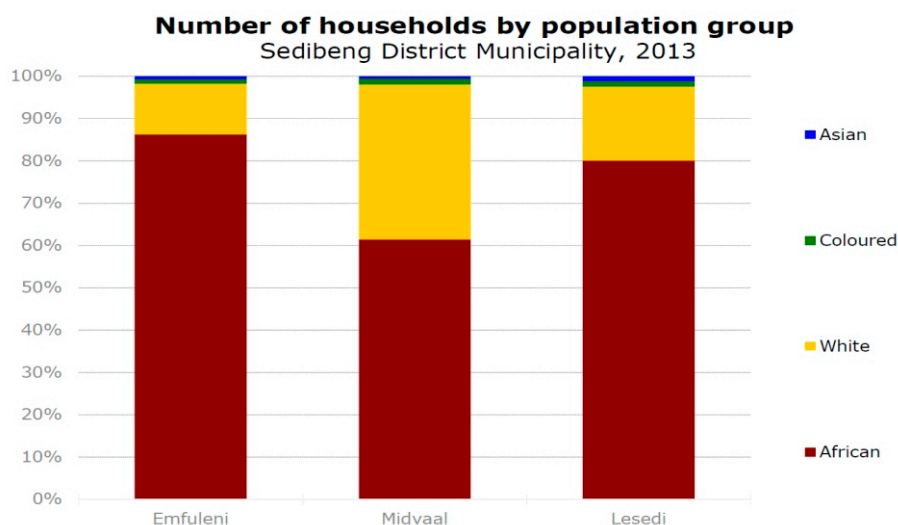
When compared to other regions, Sedibeng District Municipality accounts for a total population of 942,000, or 7.4% of the total population, in Gauteng ranking as the most populous district municipality in 2013. The ranking in terms of the size of Sedibeng compared to the other regions remained the same between 2003 and 2013. In terms of its share Sedibeng District Municipality was slightly smaller in 2013 (7.4%) compared to what it was in 2003 (8.2%). When looking at the average annual growth rate, it is noted that Sedibeng ranked fourth (relative to its peers in terms of growth) with an average annual growth rate of 1.6% between 2003 and 2013.

Sedibeng District Municipality's male/female split in population was 97.7 males per 100 females in 2013. The Sedibeng District Municipality appears to be a fairly stable population with the share of female population (50.57%) being very similar to the national average of (51.40%). In total there were 477 000 (50.57%) females and 466 000 (49.43%) males. This is different from Gauteng Province as a whole where the female population counted 6.36 million which constitutes 49.99% of the total population of 12.7 million.

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW



### NUMBER OF HOUSEHOLDS BY POPULATION GROUP - LOCAL MUNICIPALITIES OF SEDIBENG DISTRICT MUNICIPALITY, 2013 [PERCENTAGE]



In 2013, the Sedibeng District Municipality comprised of 300 000 households. This equates to an average annual growth rate of 2.34% in the number of households from 2003 to 2013. With an average annual growth rate of 1.62% in the total population, the average household size in the Sedibeng District Municipality is by implication decreasing. This is confirmed by the data where the average household size in 2003 decreased from approximately 3.4 individuals per household to 3.1 persons per household in 2013.

The growth in the number of African headed households was on average 2.83% per annum between 2003 and 2013, which translates in the number of households increasing by 60 600 in the period. Although the Coloured population group is not the biggest in size, it was however the fastest growing population group between 2003 and 2013 at 3.16%. The average annual growth rate in the number of households for all the other population groups has increased with 2.33% population of 12.7 million.

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### TOTAL POPULATION - LOCAL MUNICIPALITIES OF SEDIBENG DISTRICT MUNICIPALITY, 2003, 2008 AND 2013 [NUMBERS PERCENTAGE]

2003 2008 2013 Average Annual

	2003	2008	2013	Average Annual growth
Emfuleni	656,000	688,000	732,000	1.10%
Midvaal	70,800	84,900	101,000	3.61%
Lesedi	75,900	90,600	110,000	3.74%
<b>Sedibeng</b>	<b>802,801</b>	<b>863,803</b>	<b>942,470</b>	<b>1.62%</b>

The Lesedi local municipality increased the most, in terms of population, with an average annual growth rate of 3.7%, the Midvaal local municipality had the second highest growth in terms of its population, with an average annual growth rate of 3.6%. The Emfuleni local municipality had the lowest average annual growth rate of 1.10% relative to the other within Sedibeng District Municipality.

With a GDP of R 42.7 billion in 2013 (up from R 16.2 billion in 2003), the Sedibeng District Municipality contributed 3.53% to the Gauteng Province GDP of R 1.21 trillion in 2013 increasing in the share of the Gauteng from 3.69% in 2003. The Sedibeng District Municipality contributes 1.26% to the GDP of South Africa which had a total GDP of R 3.39 trillion in 2013 (as measured in nominal or current prices). Its contribution to the national economy stayed similar in importance from 2003 when it contributed 1.27% to South Africa, but it is lower than the peak of 1.34% in 2007.

The greatest contributor to the Sedibeng District Municipality economy is the Emfuleni Local Municipality with a share of 76.61% or R 32.7 billion, increasing from R 13.1 billion in 2003. The economy with the lowest contribution is the Lesedi Local Municipality with R 3.47 billion growing from R1.13 billion in 2003.

Overview of Neighbourhoods within			
NAME OF MUNICIPALITY: Sedibeng District Municipality			
Settlement Type	Households	Population	Formal Dwellings'
Towns	220,545		
Vereeniging			
Vanderbijlpark			
Meyerton			
Heidelberg			
Subtotal			
<b>Townships</b>			
Evaton			
Sebokeng			
Sharpeville			
Bophelong			
Boipatong			
Rathanda			
Sicelo			
Subtotal	220,545	916, 484	%
<b>Rural Settlements</b>			
Farms	4711		
Commercial	2569		
Parks and Recreation	120		
Collective Living Quarters	4906		
Industrial	1139		
Small Holdings	17003		
Vacant	1185		
Subtotal	31633		

## 1.3 SERVICE DELIVERY OVERVIEW

### COMMENT ON ACCESS TO BASIC SERVICES:

The Sedibeng region has significantly improved in provision of basic services to households, as the graph above indicates.

## 1.4 FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

While the Sedibeng District remains viable, the tight financial position of the Municipality cannot be underestimated. The gap between the increase in equitable share and the actual increase in the cost of operating the Municipality (2.4% versus an actual cost of 8%) is annually reducing the capacity of the municipality at an average rate of 5% of its total budget. In real terms, we have approximately R20m less to spend every year for the same operations.

Over the last few years the capital budget has been squeezed out to a negligible amount. Now operations are being squeezed with maintenance taking the biggest hit. Without a Cost Reduction Strategy and the Cost Containment Programme in place, the Municipality will be rendered unsustainable.

The concerns raised by the Auditor-General over the 'going concern' is a valid concern that must be addressed. Stringent restrictions in non-essential expenditure must be maintained. Expenditure on travel, conferences etc. should also be approved on a prioritised and selective basis. The salary budget remains excessive in relation to the services and functions of the municipality. Local municipalities should consider drawing staff from the District to fill vacancies as this will benefit both municipalities. The municipality can also do much better in increasing revenue at the Fresh Produce Market, aerodromes, theatres, halls, licensing centres (only a portion of which is retained by the District) etc.

Financial Overview: Year 0				R' 000
Details	Original Budget	Adjustment Budget	Actual	
Income				
Grants	260552000	260552000	254076689	
Taxes, Levies and	733188	623833	3661592	
Tariffs	89282143	107054992	76710583	
Other	350567331	368230825	334448864	
Sub Total	350387554	364953289	362463262	
Less: Expenditure	179777	3277536	-28014398	
Net Total*				

*\*Note: surplus/(deficit)*

Operation Ratios	
Detail	%
Employee Cost	55%
Repairs & Maintenance	1%
Finance Charges & Impairment	8%

### COMMENT ON OPERATING RATIOS:

Employee Costs' expected to be approximately 30% to total operating cost but the municipality is currently standing at 55%. This is as a result of the Licensing function performed on behalf of the Department of Transport where only the commission received is shown as revenue whereas the bulk of the money received are transferred to the Department of Transport;

Repairs and maintenance' benchmark at 20%. The municipality does not have bulk infrastructure assets where the majority of maintenance is needed. The current contribution towards maintenance is however to low and are getting attention to remedy the situation. Finance Charges and Impairment benchmark at 10%. The fixed asset are currently depreciated at a higher level than replacing or renewing assets which will have a negative impact on asset sustainability.

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### Overview of Neighbourhoods within NAME OF MUNICIPALITY: Sedibeng District Municipality

Settlement Type	Households	Population	Formal Dwellings'
informal Settlements			
Shacks	26 524		
Subtotal	26 524		
Total	278 702	916 484	%

STATS SA 2012

Natural Resources	
Major Natural Resources	Relevance to Community
Vaal River System	Water supply, tourism opportunities and job creation
Land for agriculture	Food security and job creation
Land for urban development	Urban development and human settlement

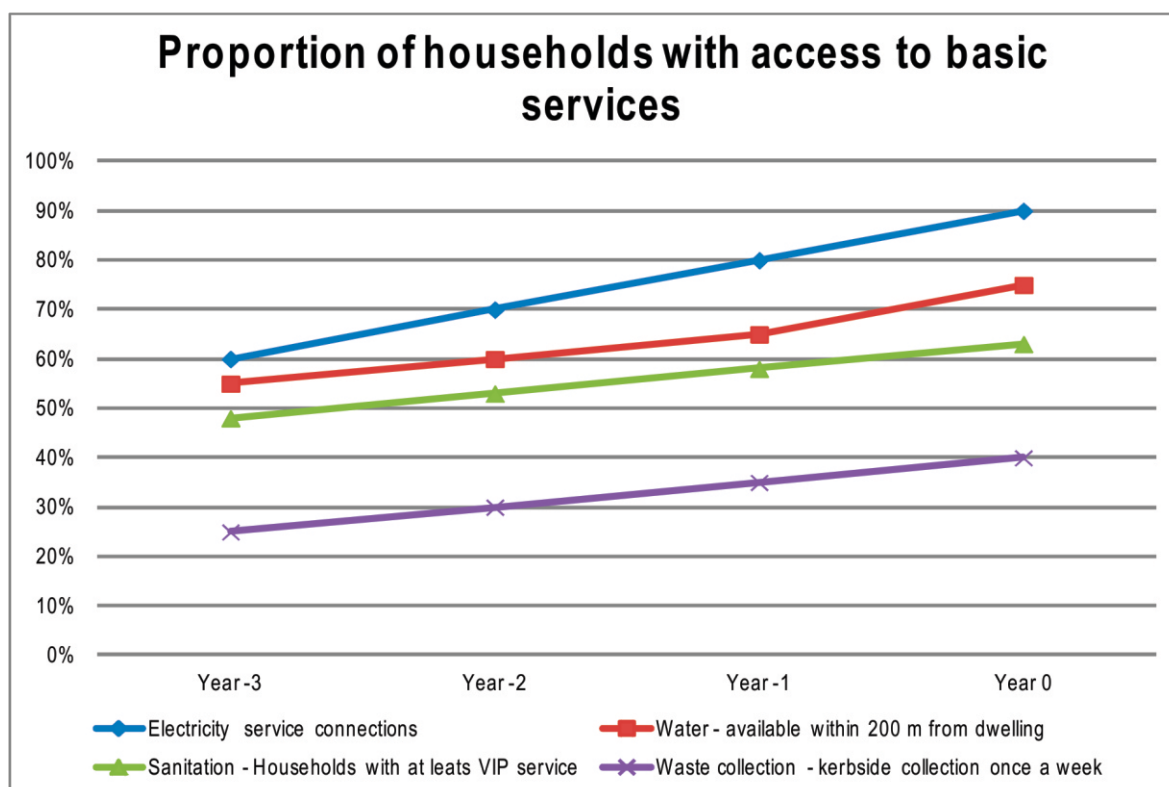
#### COMMENT ON BACKGROUND DATA:

The Sedibeng region is populated in towns and townships, and has least households in the rural settlement. The district provides a support and coordination service to its local municipalities to advance service delivery in the region. There are presenting opportunities in land development, agricultural growth and mega infrastructural development along the Vaal River. Urban development, as identified in the Spatial Development Plan, reflects high potential to major job creation, human settlement and economic activity. A challenge or hindrance towards infrastructure development is lack of sewer system, thus an intervention to upgrade current water works and construct a mega sewer plan.

## 1.3 SERVICE DELIVERY OVERVIEW

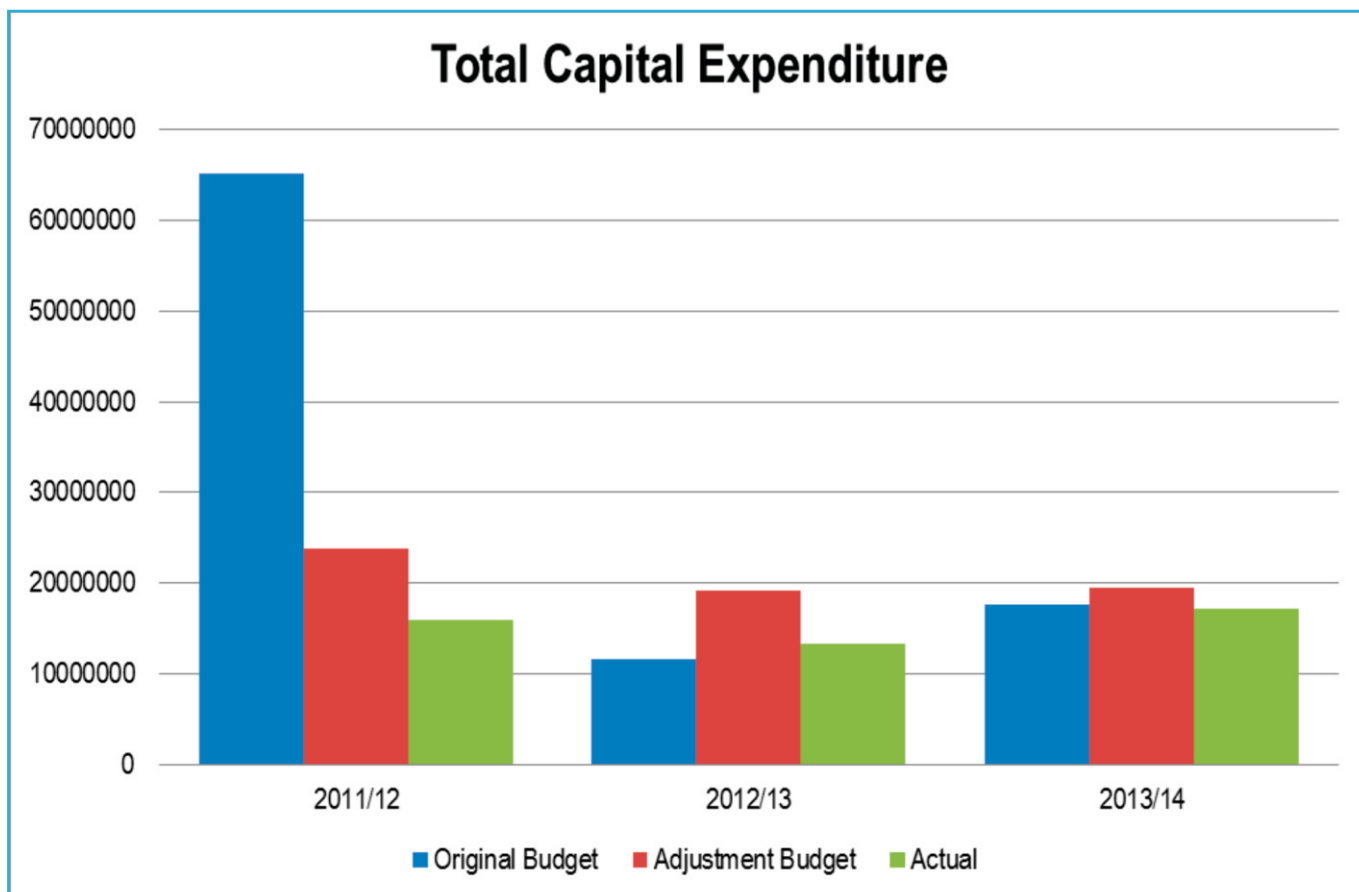
#### SERVICE DELIVERY INTRODUCTION

The Sedibeng District Municipality does not provide basic service delivery and indigent services to communities, thus service provided by local municipalities.



## 1.4 FINANCIAL HEALTH OVERVIEW

Financial Overview: Year 0			
	R' 000		
Details	2011/12	2012/13	2013/14
Original Budget	65200450	11670000	17702113
Adjustment Budget	23750450	19229996	19488278
Actual	15999499	13275079	17245228



### COMMENT ON CAPITAL EXPENDITURE:

The municipality is not providing any bulk services and therefore not capital intensive. The major capital project relates to the optic fibre project.

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

*The Municipal Systems Act, MSA 2000 S67, requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.*

In order to comply with the prescripts of the Municipal Systems Act No. 32 of 2000 the following strategic interventions, amongst others, have been invoked to ensure fair; efficient; effective; and transparent personnel administration:

- Establishment of the Local Labour Forum (where Management and Organised Labour engage vigorously on matters relating to Conditions of Employment for employees) which is fully functional irrespective of the teething challenges experienced with the new office bearers who are being retrained and trained, and exposed to the Organizational

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

Requirements Agreement procedures. No Labour unrests were experienced during the year under review. Harmonious labour relations are being pursued to ensure productivity and motivated employees and stable workplace.

- A number of workforce policies that forms part of the Human Resources Strategy were compiled and reviewed during the period under review and are to be tabled for adoption by Council after the Council members are work shopped on the policies. The policies provide Management with strategic decision making and meeting the organization's strategic objectives.
- An Employment Equity Central Committee and its sub-committees were established during the period under review to ensure compliance to the provisions of the Employment Equity Act and transformation of the organization in line with the National Employment Equity Requirements.
- Skills development and capacity building training initiatives were prioritized as a strategic thrust undertaken in the whole organization based on Personal Development Plans and National Treasury competency requirements. The effective and efficient Human Resource Management and Development allowed us to identify and report on all HR matters which could have an effect on financials, performance management and compliance with rules and regulations. Sedibeng District Municipality has managed to become a Learning Organization with skills and capacity to earn us a clean audit due to our dedication and commitment to Human Resource Management and Human Resource Development.

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

All top senior executive management positions are filled. Only one vacancy exists in the Section 57 category (Executive Director: Strategic Planning and Economic Development). Council appointed an acting person in this post since 08 July 2013. The post will however be advertised and filled in due course.

The overall turnover rate is influenced by the transitional measures in relation to the moratorium on filling of vacancies as we move towards the Metro status.

Road shows on Occupational health and Safety were done to educate and make employees aware about Health and Safety measures in the workplace. An Occupational Health and Safety Officer monitors all instances of injuries on duty and makes follow up on all Occupational Health and Safety incidents within the Municipality and submits reports on progress.

A proper record is kept for all types of leave instances and an amount of time taken each year is recorded as per Human Resources Dashboard. There were no suspensions of more than 4 months for the period under review.

Performance incentives rewarded to employees were for the period 2011/2012 financial year. The Policy is being reviewed. Performance assessments for the financial year 2012 / 2013 and onwards are vested in the office of the Municipal Manager.

The Workplace Skill Plan (WSP) for the year under review has been submitted after proper consultation all stakeholders within the Municipality. The WSP was populated based on the individual Personal Development Plans (PDP) of employees and training/development will be carried out on the basis of these. Most Senior Managers are currently attending the Competency Requirements course as determined by the Municipal Finance Management Act (MFMA).

Challenges faced by the Municipality on Capacity Development are to some extent the unavailability or insufficient funds to finance developmental training and capacity building for career-pathing of employees within Municipality. The local Government SETA has delayed payment for the past two years and is being addressed at the South African Revenue Services.



## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

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## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

No posts were upgraded and Council is in the process of completing compilation of Job Descriptions aligned to the Service Delivery Budget Implementation Plan with the intention of evaluating the Job Descriptions on the TASK system.

## 1.6 AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: YEAR 0 (CURRENT YEAR)

The Sedibeng District Municipality is proud, again, to have received an unqualified opinion from the Audit General. Three years ago we have initiated an electronic Performance Management System that integrated a performance system and change management; that is aligned to the National and Provincial Plans, and integrated individual and organisational performance. This system also integrated - Planning, Contracting, Reporting, Monitoring and Evaluation, thus inherently compliant with all legislation related to performance management. SDM management, at the beginning of each financial year, designed and adhered to a compliance chart/plan against all expected deliverables, e.g. approval of the IDP/SDBIP, quarterly reporting timelines, submission of reports to external stakeholders, etc. We have set specific reporting time-lines and have a management and political buying, and executed successful one-on-one reporting sessions between the Executive Mayor and all MMCs. SDM had Internal Audit to audit all quarterly reports and table outcomes at Audit Committee meetings, and continuously engage all Levels 1-4 managers on progress and other management issues. These specific interventions prove as strategic recipe for organisational re-engineering towards a 'clean audit'.

## 1.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year.	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General.	
5	Municipal entities submit draft annual reports to MM.	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
11	Municipalities receive and start to address the Auditor General's comments	November

## 1.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	November
13	Audited Annual Report is made public and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	December
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

### Statutory Annual Report Process

In the year under review, the Integrated Development Planning Unit was structurally relocated from the Strategic Planning and Economic Development Unit to the Directorate of the Municipal Systems, reporting to the Chief Operations Officer in the Office of the Municipal Manager. The move was anchored onto the current electronic Performance Management System (ePMS), which intelligently integrates IDP and PMS processes. This led to a totally aligned process from the organisational planning through reporting to the evaluation of performance. All managers uploaded their performance reports and evidence against set targets and milestones, onto the system as per the Service Delivery and Budget Implementation Plan SDBIP. All reporting timelines, quarterly reports, mid-year report and annual report followed legislative requirements.

The draft Annual Performance Report was consolidated from the four quarterly reports as uploaded onto the system by respective managers. All Clusters made inputs into the draft Annual Report by populating their relevant sections guided by the Annual Report Template, as prescribed by MFMA Circular No. 63 Municipal Finance Management Act No. 56 of 2003. The draft Annual Report with draft Annual Performance Report and the unaudited Financial Statements were presented at the Audit Committee meeting, before being submitted to Council and Auditor General.

The Sedibeng District Municipality shall invite the public and all stakeholders to submit their inputs on the draft Annual Report through public notices and SDM website. The draft Annual Report shall be distributed to all government offices in the region for accessibility. Municipal Public Accounts Committee will also receive the report to provide oversight. These above processes shall be completed between August and December 2014.