



SEKHUKHUNE
District Municipality

Annual Report

2014/2015

15 January 25



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Mayor's foreword and Executive Summary

The Annual Report for 2014/2015 is prepared in accordance with the provisions of the Local Government Municipal Systems Act, 2000 read together with the provisions of the Local Government Municipal Finance Management Act, 2003. Section 121 (1) of the Local Government Municipal Finance Management Act, 2003 states as follows:

“Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129”

Sekhukhune District Municipality has prepared the annual report for the financial year 2014/2015 in line with the provisions of the Local Government Municipal Finance Management Act, 2003 as referred to above.

The Local sphere of government is an important sphere because it only at this level where members of the community can be able to deal with issues of access the basic services such water, sanitation, refuse removal, electricity, local roads as well as other social amenities that affect their lives on a daily basis. Sekhukhune District Municipality is therefore doing its utmost best to ensure that issues of service delivery and acceleration of access to basic services amongst other things are addressed.

The municipality is still reliant on grants as reflected in the annual financial statements for 2014/2015 where R478,8 Million of operating grants and R296,2 Million of capital grants were utilised in the period under review. The situation shall only improve if we put more emphasis on collecting revenue that is due and putting in systems that will ensure that the cost of providing water services and the payments levels are commensurate. The district currently collects R42,7 Million from service charges as compared to the

R109,5 Million of bulk water purchases, R44,9 Million in repairs and maintenance and R72,2 Million in water related expenses. Balancing the scale requires improvements each and every year and there is a need to accelerate revenue enhancement strategy.

Sekhukhune District Municipality has a number of initiatives to foster relations with the public and more importantly involving them in matters of municipal governance. In the 2014/2015 financial at least eight (8) speakers' outreaches were undertaken as part of improving relations with the community. In the same period thirteen (13) public consultations were undertaken with various communities as part of the Integrated Development Plan (IDP) and Budget processes. It is also worth noting that in the 2014/2015 financial eight (8) public consultations were undertaken as part of the annual report public engagement processes.

Access to land remains an ongoing challenge in the district. This is because of the ownership patterns of the land where the land is registered in the name of the national government whereas on the other hand it is held under the custodianship of tribal authorities. Sekhukhune District has made several attempts in the past acquire land for development of municipal offices. In the 2014/2015 financial year, an understanding was reached between Anglican Church in Jane Furse as well as the district to ensure that eleven (11) hectares of land can be released for development of future district offices. Whilst there has been tremendous progress on the issue, the outstanding hurdle is for national government to issue a title deed in the name of the church so as to ease the transfer of the land process to the district municipality. Engagements will continue in the 2015/2016 financial with the church as well as Department of Rural Development and Land Reform to fast track these processes.

In the 2014/2015 financial year the district was involved in the relocation project at De Hoop Dam. The project was initiated in 2012 with the signing of a memorandum of agreement with the Department of Water and Sanitation where thirty eight (38) households were supposed to be relocated. It is pleasing to report that the thirty eight (38) houses were completed in the 2014/2015 financial year and all relocation issues will be addressed in the 2015/2016 financial year. The housing development in De Hoop

Dam is not an end in itself, there is a need for the district to continue driving tourism development opportunities that may arise after the completion of the dam. This process will be undertaken together with many stakeholders within and outside the district.

We are also pleased that the district has facilitated engagements with all local municipalities towards the establishment of the joint district development tribunal. In the 2014/2015 financial, a memorandum of agreement was concluded between Sekhukhune District Municipality and all the five local municipalities to work together in the adjudication of land development applications. Any outstanding issues relating to the tribunal will therefore have to be resolved in partnership with the Department of Rural Development and Land Reform as the custodian of Spatial Planning and Land Use Management Act of 2013.

Sekhukhune District Municipality has seen massive improvements regarding audit outcomes. In the 2014/2015 financial year the district obtained unqualified audit opinion as expressed by the Auditor General of South Africa. In the 2013/2014 financial the district obtained a similar opinion. This therefore brings a challenge to the administration and the politicians to work even harder to ensure that there is clean governance in relation to handling of public purse but also to professionalise local government.

Access to services remains a challenge to the population at large in the district. Statistics South Africa estimated that in 2011 the district has 1 076 840 million people. It is estimated that three (3) percent of the district population live in urban areas. These are areas that have access to water, sewer, refuse removal services and tarred roads. On the other hand the ninety seven (97) percent of the population resides in rural areas where access to these basic services remains a challenge. Most rural parts of the district rely on underground water for their daily needs as well as pit toilet systems.

The district is currently implementing various bulk water schemes to deal with the above challenge first and for all. The Mooihoek water scheme will address the water challenges in Greater Tubatse Municipal area by covering a number of villages along the R37 up to and beyond Praktiseer Township. The Nkadimeng scheme will address the water

challenges in Makhuduthamaga municipal area especially after the completion of the 25 mega litre reservoir in Jane furse. The Olifantspoort scheme will address the water challenges in Fetakgomo Municipality. The Moutse bulk scheme will address the water challenges in the Moutse area as well as covering some areas up to Tshikanoshi village. Finally the Groblersdal-Luckau scheme will also address the water issues along the R579 Road that links Jane furse to Groblersdal.

As part of the Special Presidential Package Programme, Sekhukhune District Municipality (SDM) has been working with the Department of Mineral Resources to identify projects and programmes that will benefit the community. We are pleased to report that in the 2014/2015 financial year, Glencore was able to complete two road projects that connect the Kgoši K.K Sekhukhune and Kgoši Thulare. SDM is working with Roads Agency Limpopo to assist with other identified provincial roads as well as proving guidance on the roads programmes.

In conclusion, the annual report for 2014/2015 financial is intended to give the reader the performance of the municipality as well as the municipal entity during the period under review as directed by legislation. This report is once again a glaring call for our citizens to know that we are quite aware and mindful of the challenges that they face on a daily basis however step by step, we will get there.

Finally, the year 2014/2015 has been a challenging year for the various challenges that have been faced and yet fulfilling because of the improvements that the population has seen where service delivery has been able to reach. We need to put our shoulders behind the wheel, synergise our efforts to ensure that we deliver on the promises of democracy which is access to services and better living conditions by the people who have elected us in the office.

Cllr. Mogobo David Magabe

Executive Mayor

Municipal Manager's overview

The annual report for 2014/2015 financial year is hereby presented in terms of the provisions of the Local Government Municipal Finance Management Act, 2003 which as provides as follows regarding the role of the accounting officer of the municipality in the compilation of the annual report:

Section 129 (2) "the accounting officer must-

attend council and council committee meetings where the annual report is discussed, for the purposes of responding to questions concerning the report; and

submit copies of the minutes of those meetings to the Auditor General, the relevant provincial treasury and the provincial department responsible for local government in the province"

Section 129 (3) provides;

"The accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report referred to in subsection (1) within seven days of its adoption"

The administration component of SDM comprises the following departments and offices that are the engine of the administrative machinery;

Office of the Executive Mayor headed by the Deputy Director

Office of the Municipal Manager where Internal Audit and Risk are housed

Office of the Speaker which is headed by the Council Secretary

Department of Corporate Services headed by Director

Department of Planning and Economic Development headed by the Director

Budget and Treasury headed by the Chief Financial Officer

Department of Community services headed by the Director

Department of Infrastructure and Water services headed by the Director

The implementation of projects programmes in the municipality is guided by the Integrated Development Plan (IDP) which was approved by Council. We further developed the Service Delivery and Budget Implementation Plan (SDBIP) which was signed off by the Executive Mayor to ensure that the vision that is described in the IDP is realised through our daily operations. Therefore the SDBIP becomes the yardstick through which we measure ourselves as to whether we are on track with regard to delivering services to communities.

The municipality has seen the resignation of the Chief Financial Officer in January 2015 which implies that we have operated half the financial year without a Chief Financial Officer (CFO). This is one of the critical posts in senior management of the district and we shall ensure that stability is maintained going forward until a suitable candidate is found.

SDM has been able to ensure that we implement performance management system in line with the approved performance management policy and framework. In the 2014/2015 financial the municipality was able to hold 4 performance makgotla to assess as well as report on performance on our set targets as per the SDBIP. These makgotlas are very instrumental because they are attended by all senior management, management and Executive Councillors as well as sector departments representatives as and when necessary.

In the 2014/2015 financial year the municipality planned 286 targets that were supposed to be achieved before the end of the year. At the end of the 2014/2015 financial year 181 targets were achieved which placed an overall performance of the institution at 63%. The performance at 63% was not pleasing however it is a good start to ensure that going forward; we should up our game for maximum performance.

SDM finalised the takeover of water services from the five local municipalities and we are currently in the process of cleansing our data to ensure that we increase revenue collection from the current levels. Our revenue on water services has increased from R37,5 Million in 2013/2014 to R42,7 Million in the 2014/2015 financial year. Even though it represents a marginal improvement, the municipality is putting systems and process to implement the revenue enhancement strategy.

The municipality is currently providing financial assistance to needy students who are attending various tertiary institutions. There are forty-one (41) students that are currently in the programme through the external bursary scheme that we provide. Approximately R3 Million is being spent every year on the bursary scheme. These students are studying in the various fields such as Engineering, Health Sciences, Accounting and Information Communication Technology.

SDM has in the 2014/2015 financial year embarked on a programme to provide connectivity to satellite offices such as our water services depots. We have ensured that twelve (12) depots are connected to the main office through telecommunication systems that are also in the office to ease communication and thereby reducing costs.

The municipality has been able to ensure that there are sound labour relations. Monthly Local Labour Forum meetings are held with labour to ensure that issues that affect the labour force are thoroughly deliberated upon. In the 2014/2015 financial twelve (12) Local Labour Forum meetings were held to foster relations with labour unions.

Sekhukhune District Municipality has been operating from seven (7) administrative offices that were scattered around the town of Groblersdal. We are pleased to state that management has been able to finalise the tender process in the 2014/2015 financial that will see the seven (7) administrative offices being located in one building at Bareki Mall. This process will lead to administrative efficiencies by reducing the costs of doing business.

We are pleased that SDM has been able to retain a good audit opinion in the 2014/2015 financial year where the verdict of the Auditor General is Unqualified Audit Opinion. This

will go a long way in boosting the morale of staff so that they can aim for even higher standards.

Although many achievements have been scored in the 2014/2015 financial year, some challenges still remain. The challenges can be summarised as follows:

- The rising costs of operations and maintenance
- Replacement of old assets especially water infrastructure
- Dealing with water loses
- Finalisation of Indigent register
- Securing land for future offices
- Dealing with performance management
- Retaining skilled staff
- Finalisation of water services development plan

In the final analysis, we are tabling this annual report so that members of the public can understand the inner workings of the institution and work with us as we strive to deliver services in their respective areas. As we reflect on the challenges that lie in front of us, we must also pride ourselves of the successes that lie behind us that will provide us with energy to move forward much stronger than before.

We are thankful to staff members and Councillors who have been working day and night to ensure that SDM moves forward as per our vision “development oriented leader in service delivery”. This should not just remain a slogan, it must be part of our daily guidance as we engage every with our citizens.

Mapule F. Mokoko

Municipal Manager

CHAPTER ONE: INTRODUCTION

Legislative framework for annual reporting

Requirement for a municipal annual report

Section 46 (2) of the Local Government: Municipal Systems Act (MSA) 56 of 2000 recognizes that a municipality shall have an annual report as a component of performance management, which shall consist of annual performance report.

Section 121 of the Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 requires that every municipality must prepare an annual report for each financial year. This section outlines the purposes of annual report, which are:

To provide a record of activities of the municipality or its entity for that particular year

To provide a report on performance against the budget of the municipality or entity for that year

To promote accountability to the local community

The above section also specifies the contents of annual report in detail, which include annual financial statements; auditor general's audit report, annual performance report, and other issues.

Submission and tabling of annual report

Section 127(2) of Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 provides details on the requirements of submission and tabling of annual reports. The section requires that within 7 months after a financial year the Mayor of a municipality must submit an annual report of that particular year to Council. In addition to this requirement, Circular 11 of MFMA states that annual report must be tabled on 31 January and considered by Council on 31 March of the following financial year.

However, MFMA Circular 63 of 2012 requires clearly that the draft annual report must be prepared and submitted to internal auditing, combined audit/performance committee, auditor general, and Council of the municipality whereas Council submits the unaudited annual report to MPAC by end of August of the next financial year (long before the January dead line). The latest MFMA circular of 2012 (No.63) provides the latest guidelines that should be followed.

Section 127 also says the accounting officer of the municipality must make public the annual report according to section 21A of the Municipal Systems Act, and invite the local community to contribute towards the annual report. Finally, Section 127 of MFMA requires the accounting officer to submit the annual report to the Auditor General, provincial treasury and the provincial department of local government.

Preparation of annual report

There are two MFMA circulars which were made to guide preparation of annual reports of municipalities and their entities: Circular 11 of 2005 and Circular 63 of 2012. The two circulars are supposed to be read concurrently (in conjunction with each other).

MFMA Circular No.11 (2005) was made to provide guidance on preparation of annual report. The circular re-emphasise the requirements of annual report stated in the MFMA and the MSA, and supplements two documents which were produced earlier in the same year of 2003, namely the National Treasury “Budget Circular 2” and Annual Report Guidelines.

However the circular goes further to describe the timelines required to produce the annual report, and accordingly states that the annual report must be tabled on 31 January and considered by Council on 31 March of the following financial year. At the same time the Council is required to adopt an oversight report over the annual report.

Circular 11 also prescribed the format which an annual report must have, namely:

Chapter 1: Introduction and Overview

Chapter 2: Performance Highlights

Chapter 3: Human Resource and other Organisational Management

Chapter 4: Audited Statements and Related Financial Information

Chapter 5: Functional Area Service Delivery Reporting

Also mentioned in the same circular 11 are the requirements on annual report according to Division of Revenue Act (DORA), which requires inclusion of certain issues in the annual report, including:

How the municipality met the requirements of the use of conditional grants

Use of donor funding

Information on long-term contracts

MFMA Circular No.63 of 2012 builds on Circular 11, and its main aim is to provide guidance to municipalities and municipal entities on new Annual Report Format and its contents. This particular circular states that over and above the purposes of annual report stated above, the annual report also aims to reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions. The specific goals of the new annual report format are the following:

Standardise reporting to enable municipalities / municipal entities to submit comparable Annual Reports;

Align financial and non-financial reporting in the Annual Report;

Create a standardised reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;

Ensure the standardisation of terminology used in Annual Reports; and

Support the internal and external audit process.

Circular 63 of 2012 requests that the format of the annual report for municipalities and municipal entities be set out as below:

Chapter 1: Mayor's Foreword and Executive Summary;

Chapter 2: Governance;

Chapter 3: Service Delivery Performance;

Chapter 4: Organisational Development Performance;

Chapter 5: Financial Performance;

Chapter 6: Auditor General's Findings;

Appendices; and

Volume II: AFS

The format as prescribed by the latest MFMA circular (No.63) is used for preparation of the annual report for Sekhukhune District Municipality for 2014-2015.

Municipal functions

The powers and functions of Sekhukhune District Municipality are determined in terms of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Schedule 4 Part B as follows:

Fire fighting

Local Tourism

Municipal Airports except for Ephraim Mogale and Elias Motsoaledi

Municipal Planning

Municipal Health Services

Municipal Public Transport

Markets

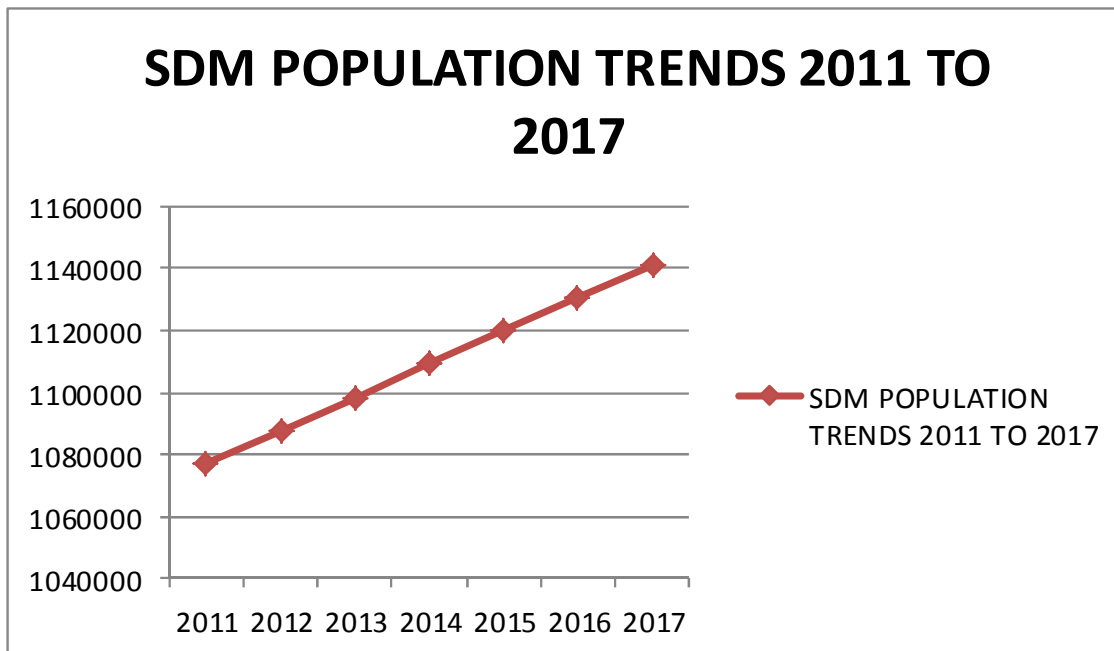
Municipal Abattoirs

Regional Land Fill Sites

Water

Sanitation

Population and environmental overview



In 2011, the population of Sekhukhune District Municipality stood at 1 076 830 persons. Statistics South Africa indicated during the 2011 census figures that the annual population growth rate in the district is at 1% per annum. Based on these projections, it can be assumed that if the population grows at that rate which is a slow rate, the district will reach 1 119 902 persons in the year 2015 and increasing further to 1 130 670 in 2016. This translates into the following population figures from 2011 up to and including 2016;

Year	Estimated population	Annual growth percentage
2011	1076830	1%
2012	1 087 598	1%
2013	1 098 366	1%
2014	1 109 134	1%
2015	1 119 902	1%
2016	1 130 670	1%

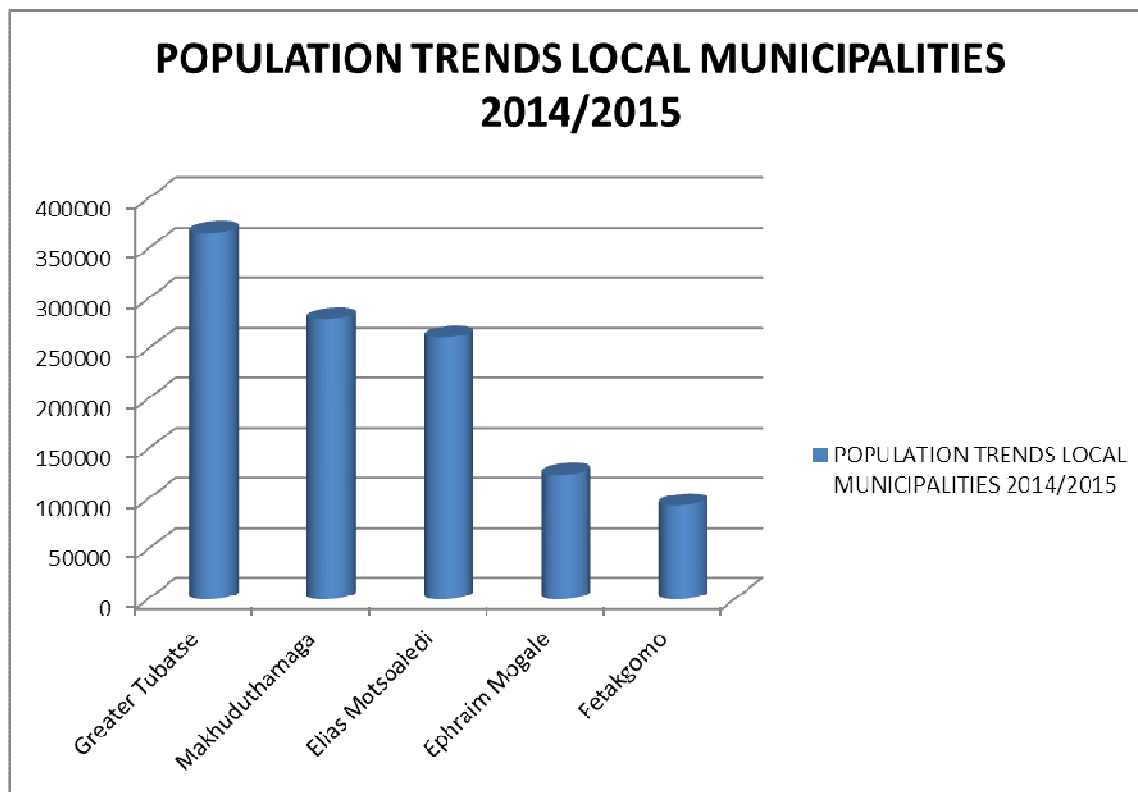
The picture in the local municipalities in the district is depicted in the figure below:

Table: Population growth rates in local municipalities 2011-2016

Municipality	2011	2012	2013	2014	2015	2016	Annual growth rate
Greater Tubatse	335 676	343 060	350 607	358 320	366 203	374 259	2.2%
Makhuduthamaga	274 358	275 729	277 107	278 492	279 884	281 283	0,5%
Elias Motsoaledi	249 363	252 355	255 383	258 447	261 548	264 686	1,2%
Ephraim Mogale	123 648	123 142	124 143	124 390	124 638	124 887	0,2%
Fetakgomo	93 795	93 888	93 981	94 074	94 168	94 262	0,1%
Total:	1 076	1 088	1 101	1 113	1 126	1 139	1%
Sekhukhune	840	174	221	723	441	377	

Source: adapted from Statssa 2011 population growth rate

The figure below indicates the population growth rates for 2014/2015 financial year for all the five local municipalities in Sekhukhune District:



The population growth rate in Greater Tubatse local municipality is higher as compared to the rest of the local municipalities in the district. The growth rate of 2,2 percent is even higher than the district growth rate of 1%.

The factors that drive population growth in Greater Tubatse local municipality are ongoing mining activities in the area as well as the growing retail sector as a result of this growth. Therefore many residents of the district travel and reside in Greater Tubatse local municipality for employment opportunities.

Elias Motsoaledi also experiences a high growth rate of 1,2% which is the second highest in the district. The strong agricultural sector in Elias Motsoaledi in Groblersdal area sees the movement of people especially seasonal workers who come during ploughing and harvesting times.

Fetakgomo Municipality is the only municipality in the district that is losing residents to other municipalities in the district but also to areas such as Polokwane and Gauteng Province.

There are no any industrial activities taking place in Fetakgomo Municipality except for the Atok area which is far located from the central areas of the municipality and is much closer to Greater Tubatse in terms of the transportation movement system.

Service delivery overview

The Department of Infrastructure and Water Services is responsible for delivery of water and sanitation services in the entire SDM area. In the 2014/2015 financial the municipality has been able to finalise the water master plan that will guide implementation of various water schemes in the district.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal (6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high level services such as refuse removal and roads.

The following areas can be regarded as semi-urban areas where some full service is being received although in some areas there is no full coverage. These areas are not benefitting from the same full package of services in urban areas but are better off as compared to the rural villages. These areas are Motetema (7 151 people); Monsterlus (7 470 people); Leeuwfontein (10 565 people); Praktiseer (28 951 people); Mapodile (6 312 people); Elandskraal (6 225 people) and Elandsdoorn (19 349 people).

Most of the rural villages in the flag boshielo water scheme are receiving water services in a much more improved way than most rural other villages.

There are 740 villages in the district that are being served using underground water and in areas where there are no services at all or challenges with ground water, water tankers are being utilised. In the 2014/2015 financial year SDM spent R44,9 Million on

Repairs and Maintenance, R109,5 Million on water purchases and R72,2 Million on water related expenses. The figures as indicated above were also servicing villages that are not having access to water through the municipal water treatment systems.

With regard to sanitation provision, the municipality is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to the various households. The programme is aimed at reducing the sanitation backlogs as well as ensuring that people have access to basic sanitation.

In the 2014/2015 financial at least 13 103 VIP Sanitation units were built across the district as part of providing communities with sanitation. The programme is multi-year in focus and will also be rolled in the 2015/2016 financial and beyond until such time that the sanitation targets are met.

Financial health overview

SDM Assets

Sekhukhune District Municipality has a number of assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2014/2015 financial year the municipal assets stood at R2,5 Billion and the year earlier which is 2013/2014, the municipal assets were at R2,6 Billion. There was reduction in the SDM assets because of that fact that some water infrastructure such as boreholes that were no longer functional were written off and therefore affected the value of the assets.

Liabilities

The total liabilities for the 2014/2015 financial year for SDM stood at R435 Million as compared to R512 Million in the 2013/2014 financial year. Most part of the municipal liabilities relate to unspent conditional grants as well as payables from exchange items.

Net assets

The net assets for Sekhukhune District Municipality stood at R2 Billion as compared to the 2013/2014 financial year where the net asset position was R2,1 Billion.

Revenue

The total revenue realised by the SDM for the 2014/2015 financial year stood at R889,7 Million as compared to total revenue of R1 Billion in the 2013/2014 financial year. Revenue from exchange items is summarised as follows:

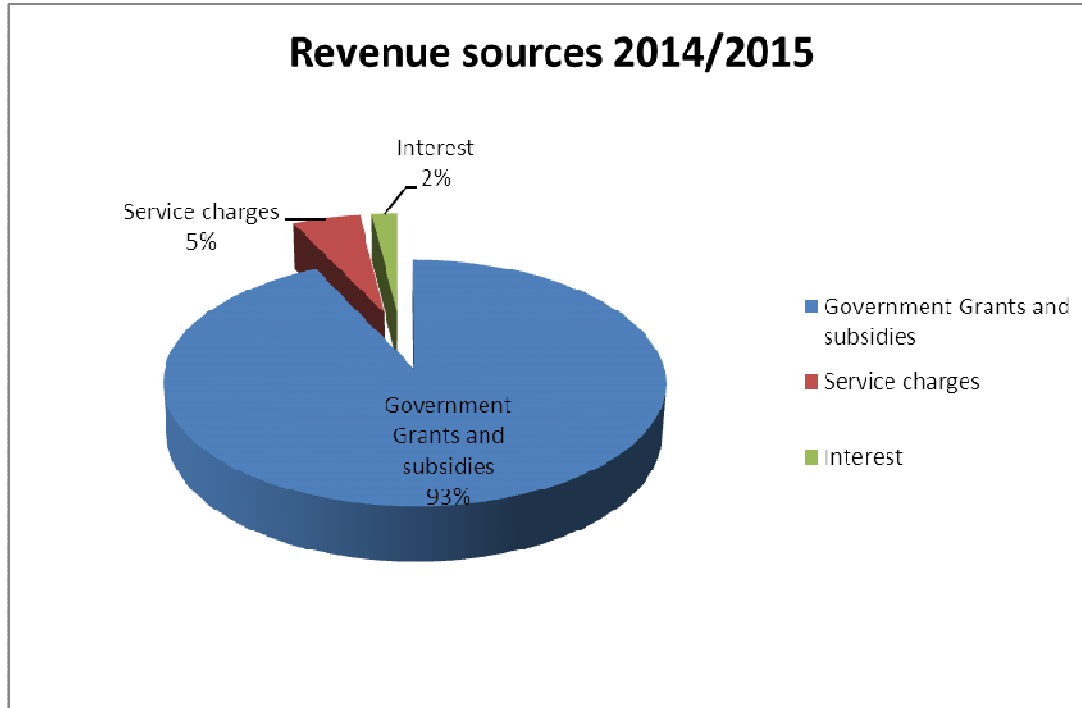
Service charges which is sale of water and sewer services stood at R42,7 Million in the 2014/2015 financial year as compared to R37,5 Million in the previous year which is 2013/2014.

Interest from receivables stood at R4,6 Million in the 2014/2015 financial year as compared to R7,5 Million in the 2013/2014 financial year. Other sources of revenue such as sale of tender documents contributed R2 Million in the 2014/2015 financial year as compared to R2,2 Million in the previous financial year 2013/2014.

The total revenue for exchange items stood at R114,7 Million in the 2014/2015 financial year as compared to R58,3 Million in the 2013/2014 financial year.

Revenue from non-exchange items stood at R775 Million in 2014/2015 financial year which compares to R1 Billion in the 2013/2014 financial year. The bulk of the revenue from non-exchange items is the government subsidies and grants which clearly indicates that we are a grant dependent municipality.

Revenue sources

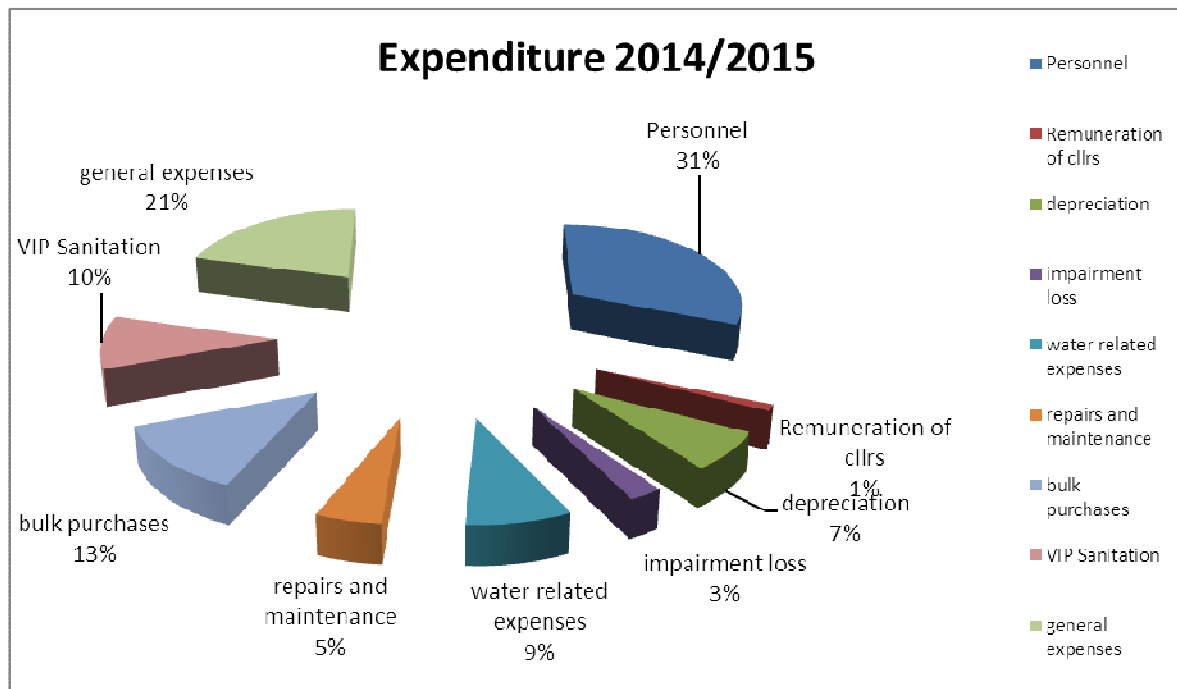


The above pie chart clearly indicates that the municipality is still receiving a large chunk of its revenue from government subsidies and grants at 93% (R817,7 Million). Services which is mainly water and sewer charges in the urban areas amount to 5% (R42,7 Million) and Interest which is at 2% (R16 Million). The interest portion is divided into two components, that is, interest from investments and interest from receivables.

Expenditure

The chart below indicates that Personnel costs remain the largest item of expenditure in the 2014/2015 financial year at 31% (R266,4 Million) as compared to R236,1 Million in the previous year. This relates to the payment of salaries and allowances for staff members in the district.

General expenses is the second biggest expenditure item at 21% (R175,3 Million) as compared to R132,8 Million in the previous year 2013/2014. The top five general expense items relate to provision of security, lease rental and operating lease, fuel and lubricants, laboratories and chemicals and well as consulting professional services.



Bulk purchases becomes the third largest area in the expenditure items at 13% (R109,5 Million) as compared to R90,5 Million in the previous year 2013/2014. Bulk purchases relate to purchase of electricity for water operations as well as purchase of water from various service providers for provision to communities.

VIP Sanitation is the fourth largest area of expenditure at 10% (R86,6 Million) compared to R215,1 Million in the previous financial period 2013/2014. The municipality has been constructing VIP Sanitation units in all the five local municipalities as part of dealing with the sanitation backlogs. Other areas of expenditure are as depicted in the chart above.

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 4 th quarter Report for previous financial year	
4	Submit draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Performance Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	
11	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	

18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

CHAPTER TWO: GOVERNANCE

Introduction to governance

Section 2 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) defines a municipality as follows;

“a municipality is-

Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act, 1998

Consists of –

The political structures and administration of the municipality; and

The community of the municipality”

Section 152 of the Constitution of the Republic of South Africa provides for the following as objects of local government;

Section 152 (1) the objects of local government are;

To provide democratic and accountable government for local communities

To ensure the provision of services to communities in a sustainable manner

To promote social and economic development

To promote a safe and healthy environment and;

To encourage the involvement of communities and community organisations in the matters of local government

Political and administrative governance

In terms of the Municipal Structures Act, the Council of the Municipality is the highest decision making body. The council appoints Accounting Officer who runs the day to day operations of the municipality on behalf of the council.

Introduction to political governance

In our resolve to enhance good governance and accountability, the Municipality adopted separation of powers model, marking a new dispensation in the history of Sekhukhune, which sees the legislative arm of council being separated from the executive arm. This is in line with the governance approach that seeks to put in place an independent oversight mechanism to ensure that democracy is deepened and that effective public service delivery takes place to benefit the communities of Sekhukhune.

This model will yield the following benefits:

A structured and systematic co-ordination and management of the overall work of council and its committees;

That council is used as a platform for improved quality and techniques of plenary debates on local issues requiring the attention of Council;

Improved management of petitions processes and the Legislature's public participation programmes, as well as

Strengthening Council's ability to make and review the efficacy of by-laws approved.

Finally the decision to separate powers should be viewed within the context of seeking to achieve sound governance, accountability, representation and participation through clear delineation of powers and functions between the executive and legislative arms of Council. It ensures that the executive is held accountable for service delivery undertakings and shortcomings through an independent representative oversight body of the legislative arm.

Section 79 committees

Council established section 79 committees to play oversight role and monitor the work of the executive and administration. The established committees are aligned to administrative departments of the municipality and are chaired by non-executive councillors.

Mayoral committee and Office of the Speaker

The Executive Mayor is the political head of the Institution and is assisted by Mayoral Committee. The Executive accounts to council on a regular basis on the work of the municipality. The speaker of the municipality is head of council and is responsible for management of council meetings and processes.

Audit committee

The Municipality has established an Audit Committee which is also responsible for performance audit. The audit committee of the municipality provides opinion and recommendations on amongst other issues the Annual Financial Statements before submission to Auditor General.

The Members of the Audit Committee are as follows - from 1 July 2014 to 30 June 2015:

Mr. K.M. Ramukumba (chairperson)

Ms. S.V. Mabilane

Mr. L. Langalibalela

Mr. P. R. Mnisi

Mrs. S.M. Makintla

The audit committee members should meet 4 times per annum as per its approved terms of reference. During the current year four meetings were held:

Name of member	Number of meetings attended
Mr. K. Ramukumba (Chairperson)	3
Mr. R. Mnisi	3
Mrs. SM. Makintla	4
Mr. L. Langalibalela	4
Ms. S Mabilane	4

Risk steering management Committee

The risk management steering committee has been established to advise the municipal manager on risk management issues. In Sekhukhune District Municipality the Risk Management Steering Committee is chaired by a member of the Audit Committee and reports from the Risk Management Steering Committee are then tabled to the Audit Committee.

Municipal Public Account Committee (Oversight committee)

In line with legislation the District has established an oversight committee made up of non-executive councillors to provide an opinion on the annual report before tabling to council. The oversight report will be published separately as per the MFMA guidance.

Political structures in detail

	Position	Name
1	Executive Mayor	Cllr. Mogobo David Magabe
2	Speaker	Cllr. N.C Mathebe
3	Chief Whip	Cllr. C.M Marota
4	MMC Budget and Treasury	Cllr. Lionel Seloane
5	1 st MMC Infrastructure and water services	Cllr. M.J Mathale

6	2 nd MMC Infrastructure and Water services	Cllr. M.F Lekola
7	MMC Corporate services	Cllr. T.L Nchabeleng
8	1 st MMC Community services	Cllr. P.M Mamahlako
9	MMC Planning and Economic Development	Cllr. R.M Matlala
10	2 nd MMC Community services	Cllr. R.C Kupa
11	MMC Office of Executive Mayor	Cllr. Kgoloko N.L

The total number of Councillors before the 18th May 2011 Local Government were 41 with 17 as party representatives and 24 representing local municipalities.

After the 18th May 2011 Local Government Elections, the number of Councillors stands as 48 with 19 being party representatives and 29 being local municipalities' representatives.

Directly Elected Councillors

DIRECTLY ELECTED COUNCILLORS			
Council Members	Full Time / Part Time (FT/PT)	Position held	Party Represented
Cllr Mathebe N.C	FT	Speaker	ANC
Cllr Magabe M.D	FT	Executive Mayor	ANC
Cllr Mathale M.J.	FT	MMC	ANC
Cllr Marota C.M	FT	Chief Whip	ANC
Cllr Matlala R.M	FT	MMC	ANC
Cllr Seloane L.M	FT	MMC	ANC
Cllr Nchabeleng T.L	FT	MMC	ANC
Cllr Mamahlako P.M.	PT	MMC	ANC
Cllr Kgoloko M.L.		MMC	ANC

DIRECTLY ELECTED COUNCILLORS			
Council Members	Full Time / Part Time (FT/PT)	Position held	Party Represented
	PT		
ClIr Kupa R.C	FT	MMC	ANC
ClIr Lekola M.F	FT	MMC	ANC
ClIr Thamaga M.M.	FT	MPAC Chairperson	ANC
ClIr Mabuza D.L.	PT	Community Services	ANC
ClIr Sihlangu T.L	PT	Budget & Treasury	ANC
ClIr Mafefe O.H	PT	Corporate Services	ANC
ClIr Makitla R.J,	PT	Community Services	ANC
ClIr Makuwa T.H	PT	Budget & Treasury	AZAPO
ClIr Mokwana L.W	PT	Infrastructure & Water	COPE
ClIr Tala D.L.	PT	Infrastructure & Water	DA

SECTION - 79 PORTFOLIO COMMITTEES OF COUNCIL- 1/04/2015

BUDGET AND TREASURY (BTC) MEMBERS
ClIr Marapi S (Chairperson)
ClIr Thobejane MD (Portfolio whip)
ClIr Mamogobo S.
ClIr Moifo H.K
ClIr Thokoane .J.
ClIr Kgwedi J.L
ClIr Mohlala MJ

Cllr. Malatjie M
Cllr. Mokwana LW
10. Cllr Tau L.C
Kgoshi Masha L.A
COMMUNITY SERVICES (SC)
Cllr. Malatjie MN (Chairperson)
Cllr. Shai A.M (Portfolio whip)
Cllr Makgoga N.H
Cllr. Matjomane. D.
Cllr. Makuwa T.H
Cllr. Nkadimeng S.P
Cllr.Mabuza D.L
Kgoši Mathebe C.
Kgosi Rantho NJ
Cllr Kekana K.N
Cllr Makola MM
CORPORATE SERVICES
Cllr Mafefe O.H (Chairperson)
Cllr Masemola H.R (Portfolio Whip)
Cllr Tala D.L
Cllr Makuwa T.H
Cllr Tshoma. L.
Cllr Shai A.M
Cllr. Matjomane D.
Cllr: Kupa R.C
Cllr: Makola M.M
Cllr: Kekana K.N
Kgoši Mogashoa M.E

INFRASTRUCTURE AND WATER SERVICES
Cllr Ratau M.F (Chairperson)
Cllr Malaka M.S (Portfolio Whip)
Cllr Makuwa T.H
Cllr Mokwana L.W
Cllr Mohlala M.J
Cllr Tala D.L
Cllr. Makitla R.J
Cllr. Shai A.M
Kgoši Madihlaba D.G
Kgošigadi Riba S.G
Cllr Rakoena M.F
PLANNING AND ECONOMIC DEVELOPMENT
Cllr Sihlangu T.L (Chairperson)
Cllr. Mabuza D.L (Portfolio whip)
Cllr Tshoma L.
Cllr Rakoena M.F
Cllr Makitla R.J
Cllr Kupa R.C
Cllr Thokwane J.
Cllr Masemola H.R
Cllr Mokwana L.W
Cllr Kgwedi J.L
Cllr.Kgoši Matlala –Lehwelere M.A

SECTION - 79 STANDING COMMITTEES OF COUNCIL

RULES AND PETITIONS COMMITTEE
ClIr Mathebe N.C (Chairperson)
ClIr Maleka E.K
ClIr Shai A.M
ClIr Malatjie M.N
ClIr Makitla R.J
ClIr Masemola H.R
ClIr Thobejane M.D
ClIr Makuwa T.H.
ClIr Tala D.L.
ClIr Mokwana L.W
ETHICS COMMITTEE
ClIr Mabuza D.L (Chairperson)
ClIr Malaka M.S
ClIr Shai A.M
ClIr Thokoane J
ClIr Tala D.L
ClIr Masemola H.R
ClIr Mamogobo. S.
ClIr Maleka E.K
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
ClIr Thamaga M.M (Chairperson)
ClIr Malaka M.S
ClIr Moifo H.K
ClIr Thobejane M.D
ClIr Marapi S.
ClIr Maleka E.K

Cllr Mokwana L.W
Cllr Tala D.L
Cllr Thokwane M.J.
Cllr Nkadimeng S.P
AUDIT COMMITTEE
Mr. Ramukumba K (Chairperson)
Mr. Langalibalela L
Ms. Makinta S
Ms. Mabilane S.V
Mr. Mnisi P.R
CHAIRPERSONS' COMMITTEE
Cllr. Maleka E.K (Chairperson)
Cllr. Ratau M.F
Cllr. Mafefe O.H
Cllr. Malatjie M.N
Cllr Mabuza D.L
Cllr. Sihlangu T.L
Cllr. Marapi S
Cllr. Thamaga M.M
PROGRAMMING COMMITTEE
Cllr Mathebe N.C (Chairperson)
Cllr Selokane L.M (Leader of Executive Business in Council)
Cllr Marota M.C (Chief whip)
Cllr Maleka E.K (Chair of Chairs)
Cllr Makuwa T.H
Cllr Mokwana L.W
Cllr Tala D.L

SPECIAL COMMITTEES OF COUNCIL

COUNCIL WHIPPERY
Cllr Marota C.M (Council Chief Whip)
Cllr.Kgwedi J.L
Cllr Makuwa T.H
Cllr Mokwana L.W
GEOGRAPHICAL NAMES COMMITTEE
Cllr. Mathebe N.C (Chairperson)
Cllr. Maleka E.K (Deputy Chairperson)
Cllr. Marota M.C
Cllr. Ratau M.F
Cllr. Malaka M.S
Cllr. Tala D.L
Cllr. Thokoane M.J
Cllr. Mokwana L.W
MMC Kgoloko N.L
Kgošigadi Riba S.G
Kgoši Malekana N.M
Kgoši Lehwelere – Matlala M.A
Kgoši Mogashoa M.E

MUNICIPAL PORTFOLIO COMMITTEES

MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
Corporate Services	Committee plays oversight and ensures department implements Human resources development strategy/policy and other related policies and that staff establishment is in line with IDP objectives
Community Services	Committee plays oversight and ensures that the department functions properly and implement core mandate such as disaster management and emergency services
Planning and Economic Development	Committee plays oversight and ensures that department deliver on its mandate of economic growth, job creation, poverty and proper spatial planning
Budget and Treasury	Committee plays ensures that financial resources of the municipality are managed in line with legislation and accounting of fiancés takes place
Infrastructure and Water Services	Committee plays oversight and ensures that department provides basic services to communities and capital budget is spend in line with council priorities
<p>The Section 79 Committees are contributing effectively to the overall functioning of Council wherein they meet on a monthly basis. They receive reports from Members of the Mayoral Committee who make recommendations to Council for approval. On the basis of the Portfolio Committee recommendations Council is able to take decisions as the matter tabled by the Executive Mayor would have be reviewed by the Portfolio Committee to advice council appropriately.</p>	

Political Decision Making

The District municipality has adopted a separation of powers model wherein Council is vested with the legislative authority and plays an oversight role on the Executive. The Executive on the other hand led by the Executive Mayor is responsible for execution and accounts to council on the implementation of council decisions.

The decision making process starts with administration preparing reports/items for mayoral committee, followed by section 79 committees and ultimately council makes final determination.

Administrative Governance

The Management of the institution is entrusted with role of advising Council as well for the implementation of council resolutions. It is led by the Municipal Manager who is the overall Accounting Officer (AO). The Management is further complemented by line function Managers who are responsible for management of various municipal departments.

The Management functions as a collective through regular monthly management meetings and accounts to the Executive through Mayoral Committee meetings.

Administrative Governance

The Management of the institution is entrusted with role of advising Council as well for the implementation of council resolutions. It is led by the Municipal Manager who is the overall Accounting Officer (AO). The Management is further complemented by line function Managers who are responsible for management of various municipal departments.

The Management functions as a collective through regular monthly management meetings and accounts to the Executive through Mayoral Committee meetings.

Top Administrative Structure

Position	Name	Comments
Municipal Manager	Ms. M.F Mokoko	Served full 12 months in 2014/2015 financial year
Chief Financial Officer	Mr. C. Malema	Acting position 3 months, the CFO resigned in January 2015
Director Corporate services	Mr. P. Phahlamohlaka	Served for 11 months in 2014/2015
Director Planning and Economic Development	Mr. A. Matjiya	Served full 12 months in 2014/2015 financial year
Director Community Services	Mr. S. Masemola	Served for 11 months in 2014/2015
Director Infrastructure and Water Services	Mr. B. Mtshali	Served for 10 months in 2014/2015
Chief Audit Executive	Mr. N. Marobane	Served for 3 months in 2014/2014
Deputy Director Office of Executive Mayor	Mr. K Phasha	Served full 12 months in 2014/2015 financial year
Council Secretary	Mr. D. Mabelane	Served full 12 months in 2014/2015 financial year

Intergovernmental Relations

The Intergovernmental Relations and Framework Act make provision for establishment of intergovernmental structures. Moreover, it makes provision for establishment of Intergovernmental Technical Support structures. Sekhukhune District Municipality has established Mayor's Forum as an Intergovernmental Relations Structure to deal with issues of common interest within the district. The Mayor's Forum is chaired by the Executive Mayor of the district and also attended by Mayors of the five local municipalities.

There are also two technical support structures that have also been established to support the Mayor's Forum namely the municipal managers' Forum and Technical Clusters. There are four Technical clusters dealing with key Local Government Key Performance Indicators:

ITEM	Cluster	Focus areas	Chair
Resuscitation of clusters	Development planning	Development planning: Spatial /SPLUMA Economic Strategic planning Housing	Director Planning and Economic Development
	Corporate services	Job evaluation ICT Governance Framework LLF Functionality	Director Corporate Services

		<p>Legal services</p> <p>Policy and by-law bench marking</p> <p>Political administrative interface</p> <p>Minimum competencies</p>	
	Internal audit/Risk and performance	<p>Risk assessment</p> <p>Performance auditing</p> <p>Internal audit</p>	Chief Audit Executive
	Financial Services	<p>Revenue enhancement</p> <p>Free basic services</p> <p>Financial statements</p> <p>Grant performance</p>	Chief Financial Officer
	Basic services	<p>Capital grant performance</p> <p>Disaster management</p> <p>Emergency services</p> <p>Refuse removal</p> <p>Operations and maintenance</p> <p>Municipal health services</p> <p>Roads and storm</p>	Director Infrastructure and Water Services

		water Electricity Public transport Environmental management	
	Communication and public participation	Customer care Hotline issues Stakeholder engagement Council meetings calendar	Deputy Director Office of Executive Mayor

Provincial Intergovernmental Structure

In the year under review, Sekhukhune District Municipality participated in the following provincial Inter-Governmental Relations Structures

Premier Inter-Governmental Forum attended by the Executive Mayors and Municipal Managers which provides strategic direction in aligning the work of government in the province

Governance and Administration Cluster attended by the Municipal Manager which interfaces with the work of the Provincial Executive

Various Technical Working Groups focusing on the development of Limpopo Development Plan.(LDP)

Provincial Communicators Forum which focuses on enhancing communication between government, communities and social partners

The Sekhukhune District Municipality has benefited a lot from attending provincial IGR structures as it gives the municipality an opportunity to plan in line with provincial priorities and objectives. Some of the interventions have resulted in tangible programmes and projects on the ground.

Relationships with municipal entities

The District has established Sekhukhune District Agency (SDA), a special purpose vehicle for facilitation of high impact economic development programmes.

The Agency has a board of directors which accounts to the Municipality and has appointed Chief Executive Officer to oversee day to day operations and business of the Agency.

The district has opted for a shareholder compact model which regulates the relationship between the entity and the municipality.

The board is constituted by individuals drawn from various sectors with diverse skills and expertise.

The board for Sekhukhune Development Agency (SDA) was appointed on the 28 September 2012 as follows:

Mr. Nkadimeng Chipiyane Clifton Tito (Chairperson)

Adv. Jafta Nkohla Samuel

Mr. Mafolo Titus Magashe

Ms Maleka Sharon Mmakopi

Ms Mathabatha Yvonne Stephina Mmadikgomo

Ms Letsatsi Masefateng Dorcus

Mr Thulare Phatudi Peter

The term for SDA Board is not more than three years and thereafter a new board will be selected by Sekhukhune District Municipality.

The following board members have resigned in the 2014/2015 financial from Sekhukhune Development Agency Board:

Adv. Jafta Nkohla Samuel

Ms. Letsatsi Masefateng Dorcus

Mr. Thulare Phatudi Peter

District Intergovernmental Structure

Sekhukhune District Municipality as a custodian of inter-governmental relations structures in the district has facilitated the establishment of the following forums for better coordination with the five local municipalities

Mayors Forums which is a strategic political fora for all the six (06) mayors in the district and meets on a regular basis to provide overall governance leadership

Speakers Forum which is constituted by all speakers in the district to share information and knowledge on how to conduct council activities as well as develop common perspective around issues of governance

Chief Whip's Forum is a forum chaired by the district chief whip and includes all chief whips from local municipalities which meets on a regular basis to share experiences on developing common ground around issues of code of conduct for councillors and related issues

Municipal Managers Forum which is a platform for all six municipal managers in the district to interact on a regular basis and provide administrative leadership to all municipalities in the district

Inter-Governmental Relations Clusters which are inclusive of all the six municipalities in the district and meets on a regular basis to share experiences and strategies in various technical areas

The district working together with the five local municipalities have been able to derive the following benefits from coordinated IGR efforts

- Minimize duplication of resources
- Encouraged local horizontal learning
- Sharing of scarce resources
- Enhanced government cohesion

Public Accountability and participation

Public meetings

Municipalities are by law required to foster public participation and ensure its citizenry is engaged in matters of governance. Sekhukhune District Municipality places public participation and accountability at the centre of its work. The Municipality has adopted a communication strategy which encompasses an on-going public participation programme.

Communication channels that were used to engage communities include;

- Monthly Mayoral Outreach Programs
- Quarterly Council Imbizos
- Regular interactions and stakeholders engagement such as Mining communities, business formations and Non-Governmental Organisations
- Monthly Internal newsletters and quarterly external newsletters publications
- Radio-Interviews with Executive Mayor and Members of the Mayoral Committee
- Inclusive IDP/Budget public participation programme

In the 2014/2015 financial year, the Municipality managed to arrange 13 IDP/Budget consultation forums reaching out to many villages and stakeholders never reached before.

The Municipality also arranged annual State of the District Address (SODA) to provide a platform for the Council to account to the public on the affairs of the Municipality.

The website of the Municipality is now functional (www.sekhukhunedistrict.gov.za) and updated on a regular basis especially the component where compliance issues have to be adhered to such as publishing of annual report, tenders and vacancies.

Ward Committees

In terms of the Municipal Structures Act 117 of 1998, Ward Committees are established to enhance participatory democracy in local government.

The Sekhukhune District Municipality working together with its five local municipalities managed to establish ward committees in all the **121** wards and 740 village. However, in the year under review, ward committees in Sekhukhune have been able to deal with the following critical issues:

In the 2014/2015 financial the district managed to organise 1 ward committee conference so that members of the ward committee can engage critically on issues that affect them as well as advising municipalities on the solutions.

Working together with the district and local municipalities, ward committees in the district have been able to play a significant role in the following areas;

Sensitising the municipality on developmental challenges and pressures within local communities;

Communicated government messages to the communities.

Website

The website for the financial year 2014/2015 was functional with mandatory updates having been done, namely, IDP, Budget, SDBIP, Annual Report. There has been further updates on tenders exceeding R 200 000 and vacant posts. From content management point of view for general information dissemination, the communication Unit working hand in hand with the State Information Technology Agency (SITA) updated the website through posting of official statements and speeches. However challenges still remain for the website to function optimally, some of the challenges are

Regular updating of content

Creating awareness for internal departments to provide information in a timely manner

Marketing the use of the website for external audiences

Research has been done on products that will offer the following to the communities:-

- Touch-screen kiosks that can be used for inter alia the following:
- Customer Complaints
- Customer Compliments
- Customer Comments
- General Survey Interaction
- Information Centre

Public satisfaction on municipal services

The Sekhukhune District Municipality conducted annual customer satisfaction survey which revealed that majority of citizens in Sekhukhune (approximately 62%) is reasonably satisfied with provision of services by the municipality.

In between the year the municipality has a dedicated customer care unit which processes day to day community complaints and monitor adherence to Batho-Pele principles by municipal officials.

Batho Pele Forum as a platform to engage with government service points to assess the delivery of services. The Municipality through its council has adopted important policies and guidelines to guide Batho Pele and customer management processes. The policies include Batho-Pele service standards, Dingongorego policy, and service charter.

The municipality has the following platforms to receive and manage queries from communities and stakeholders,

- Suggestion boxes in all offices
- 24 hour call centre
- Regular outreach for face to face interaction
- Premier hotline
- Presidential hotline

As part of elevating and prioritising customer care and Batho-Pele issues, the municipality has moved the division from Corporate services to Office of the Executive Mayor so that queries raised by municipality are attended to and necessary political support is provided.

CHAPTER THREE: SERVICE DELIVERY

Water Provision

The Department of Infrastructure and Water Services is responsible for delivery of water and sanitation services in the entire SDM area. In the 2014/2015 financial the municipality has been able to finalise the water master plan that will guide implementation of various water schemes in the district.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal (6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high level services such as refuse removal and roads.

The following areas can be regarded as semi-urban areas where some full service is being received although in some areas there is no full coverage. These areas are not benefitting from the same full package of services in urban areas but are better off as compared to the rural villages. These areas are Motetema (7 151 people); Monsterlus (7 470 people); Leeuwfontein (10 565 people); Praktiseer (28 951 people); Mapodile (6 312 people); Elandskraal (6 225 people) and Elandsdoorn (19 349 people).

Most of the rural villages in the flag boshielo water scheme are receiving water services in a much more improved way than most rural other villages.

There are 740 villages in the district that are being served using underground water and in areas where there are no services at all or challenges with ground water, water tankers are being utilised. In the 2014/2015 financial year SDM spent R44,9 Million on Repairs and Maintenance, R109,5 Million on water purchases and R72,2 Million on water related expenses. The figures as indicated above were also servicing villages that are not having access to water through the municipal water treatment systems.

Sanitation provision

With regard to sanitation provision, the municipality is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to the various households. The programme is aimed at reducing the sanitation backlogs as well as ensuring that people have access to basic sanitation.

In the 2014/2015 financial at least 13 103 VIP Sanitation units were built across the district as part of providing communities with sanitation. The programme is multi-year in focus and will also be rolled in the 2015/2016 financial and beyond until such time that the sanitation targets are met.

Local Economic Development

Sekhukhune District Municipality is responsible for facilitation and coordination of Local Economic Development in the district as a whole. The district is therefore responsible for facilitation and coordination of the four main sectors of the district economy as follows:

Tourism development

Agriculture development

Mining Development

Trade and Industry

Tourism Development

Sekhukhune District Municipality has a number of tourism development opportunities that exist in the local municipalities as well as those that have potential to develop. The cases in point can be summarised below:

- Development of Schuinsdraai nature reserve which is located in Ephraim Mogale Local Municipality
- Tjate heritage site
- De Hoop Dam

Sekhukhune District Municipality is working jointly with Department of Water and Sanitation to finalise De Hoop Dam Resource Management Plan. The Resource plan is aimed at addressing issues of future utilisation of the dam as well as ensuring that various communities that are affected by De Hoop Dam can have access to tourism and development opportunities.

With regard to Agriculture development, the district is currently working with Department of Rural Development and Land Reform on the Agripark concept. In the 2014/2015 financial year a business plan was compiled through Sekhukhune Development Agency to package all the available agricultural initiatives that could support the Agripark. In this instance the following projects are identified in the Agripark business plan:

- Development of Abbatoir in Elias Motsoaledi Local Municipality
- Support milling project
- Development of new vegetable packhouse in the district

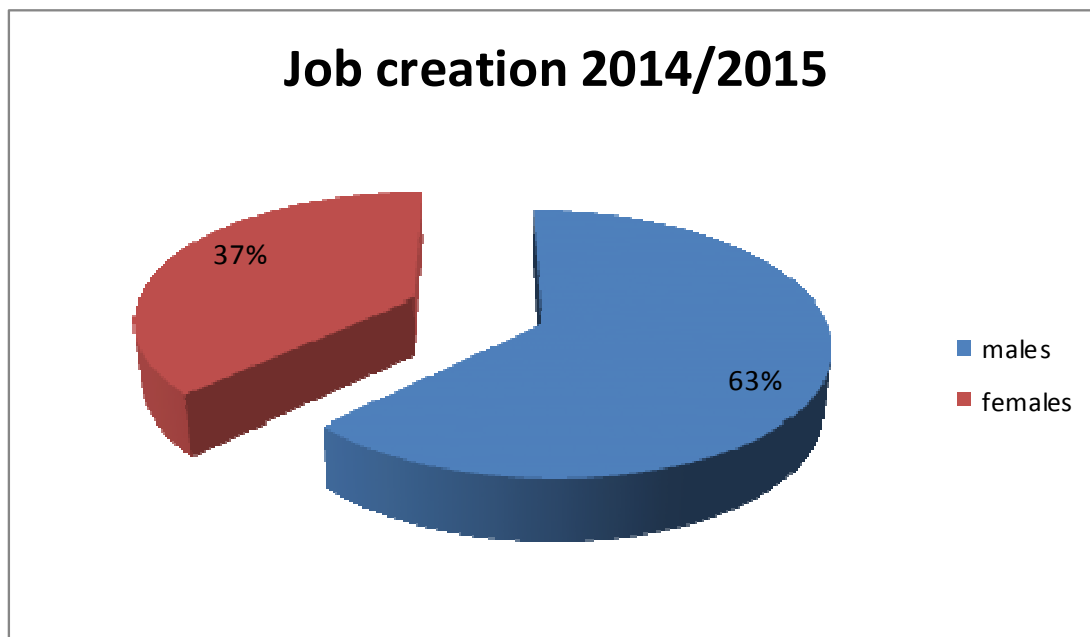
Trade and industry has also become one of the draw cards in the district in as far as economic development is concerned. The post 1994 period has seen development of new retail shopping centres in the district such as Moutse Mall in Elias Motsoaledi; Bopedi Shopping Centre in Fetakgomo Local Municipality; Tubatse Crossing in Greater Tubatse Local Municipality and Moratiwa shopping centre in Makhuduthamaga Local

Municipality. The growing retail sector is an attestation that the economy of the district is changing and will continue to change.

There is equally a growing trend for new industrial activities in Greater Tubatse Local Municipality. These industries are related and supportive to the growing mining initiatives in the district. Greater Tubatse Local Municipality for instance, has a large component of industrial brick manufacturers which also supports the burgeoning property development in the district.

Job creation through municipal projects

In the 2014/2015 financial year, Sekhukhune District Municipality through its various projects and programmes managed to create 4 027 job opportunities. Out of the 4 027 jobs that were created, about 2 524 were males (63%) and 1 503 were females (37%). Youth comprised 1 661 (41%) job opportunities and there were only 3 people with disabilities that were employed during the 2014/2015 financial year.



CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organisational Development Performance

Sekhukhune District Municipality through its Performance Management System developed the Service Delivery and Budget Implementation Plan (SDBIP) for 2014/2015. The Service Delivery and Budget Implementation Plan for 2014/2015 comprised 286 targets. At the end of the year, 181 targets were achieved versus 105 that were not achieved.

The overall percentage achievement for 2014/2015 stood at 63%. The average performance if one takes into account all the departments scores is 76, 5 which is the mean. The Departments that performance below average performance is Infrastructure and water services, Corporate Services and Budget and Treasury at 28%, 68% and 74% respectively. The median score is between 80% to 85%.

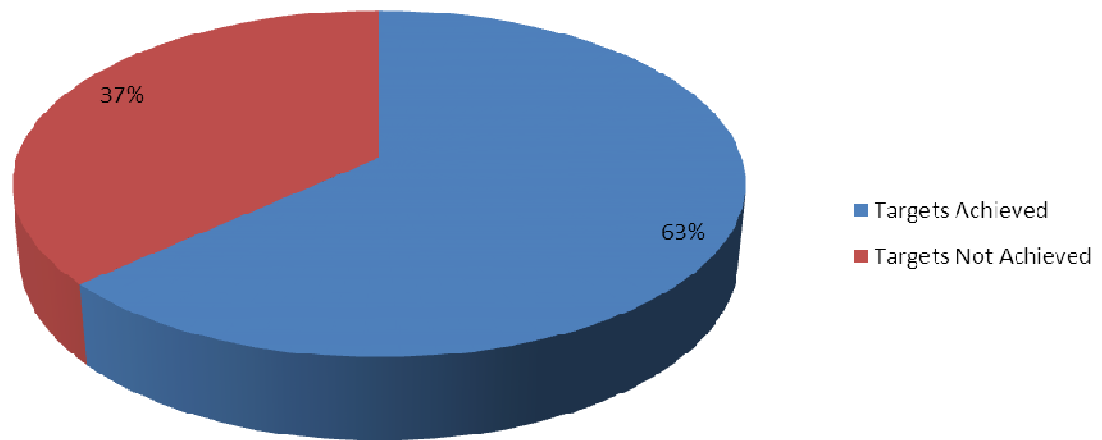
Even though the departments have performed generally well in terms of their targets, it is still concerning that the department that responsible for approximately 70% of the budget has not performed well which is Infrastructure and water services. This is also reflected in the section 52 financial report where it shows that our expenditure on capital programme is not improving.

This literally implies that the municipality did not achieve 37% of the targets set as per the figure below:

Table: Detailed 2014-2015 annual performance per department

Department	Number of annual targets	Target achieved	Targets not achieved	Overall Percentage achievement
Budget and Treasury	22	14	8	74%
Community Services	19	18	1	95%
Corporate services	41	28	13	68%
Infrastructure and water services	94	26	68	28%
Office of Municipal manager	25	20	5	80%
Office of Executive Mayor	45	41	4	91%
Planning and Economic Development	27	23	4	91%
Office of the speaker	13	11	2	85%
TOTAL	286	181	105	63%

SDBIP ANNUAL PERFORMANCE 2014/2015



There are a number of challenges as to why some targets could not be achieved by the municipality. These can be summarised as follows:

- Setting of objectives that were not realistic for attainment
- Inadequate budgetary constraints
- Targets that rely of third parties for achievement

Introduction to Municipal Personnel

Human Resources Unit is a division that falls under the Corporate Services Department. It plays a critical role in the Organisation in respect of talent attraction, terminations, declaration of employees to UIF, leave administration, Employment Equity, HR Resources information management system, employee benefits, Long service recognition and HR policy development. It largely reinforces the white paper in HRM

which requires Human resources in Public Sector (including Local Government) to be managed, utilized and maintained efficiently and effectively. This approach would allow Sekhukhune District Municipality to manage within nationally defined parameters its own employees.

Total number of Employees, Staff turn- over and Vacancies

As per Organizational structure of the 2014/2015, 927 Posts were filled. This means that the total number of personnel is 927 as the end of June 2015. As at the end of June 2015, vacancy rate was reduced from 17% to 1.6%. All vacant, funded and critical posts under the year in review were filled except the post of CFO. For example, four posts of Section.56 were filled

A breakdown of the Posts in the Organisation is reflected in the table below;

Total Number of Employees

Name of Department	Number	M	F
Executive Mayor's Office	16	8	8
Office of the Speaker	16	8	8
Municipal Manager's Office	17	9	8
Corporate Services	48	27	21
Budget & Treasury	65	30	35
Planning	9	4	5
Community Services	111	73	38
Community Services Volunteers	13	9	4
Infrastructure/Water	41	25	16

Fetakgomo Region	36	24	12
Makhuduthamaga	80	54	26
Elias Motsoaledi	99	74	25
Tubatse	107	68	39
Ephraim Mogale	57	43	14
Workshop	17	14	3
Pump Operators	175	127	48
TOTAL	927	607	320

Details	Total Appointments during Financial Year	Terminations During Financial Year
2014/15	63	34

Senior management posts' vacancy rate in comparison with the SDM local municipalities for 2014-2015

Municipality	Number of posts	Filled	Vacant	Vacancy rate
Fetakgomo	5	4	1	20%
Greater Tubatse	6	3	3	50%
Makhuduthamaga	6	3	3	50%
Ephraim Mogale	6	4	2	33,33%
Elias Motsoaledi	7	6	1	14%
Sekhukhune	7	6	1	14%
Total	37	26	11	30%

HR Policies, Plans and Strategy

Policy is important in managing organisations. It provides direction and boundaries for the organisation's approaches. It also clarifies and clears actions of both employees and management. HR Organisational policies are implemented daily in the Organisation and they are guided by the SALGBC Agreements and various pieces of legislations applicable to Local Government Sector. This is done efficiently because legislative compliance is the pillar of good governance.

The HR Unit is reporting annually to the Department of Labour in Polokwane in terms of EE report whereby the Component is responding to progress registered in terms of both the numeric targets and goals as indicated in the three year cycle of Employment Equity plan of the Municipality.

Injuries on duty during the year under review:

	NAME	DATE OF INJURY/DIAGNOSIS OF DISEASE	WORK STATION	CLAIM NO	STATUS
1	Sekele SE	06.08.2014	Makhuduthamaga Regional Water Services Office	Not yet allocated	Documents send to Labour but injury not yet allocated the number

In the year under review (2014-2015) the municipality had to contend with the following cases affecting its employees:

Sixteen (16) different cases of misconduct were received during the year under review and eleven (11) of those cases have been finalised. Two (2) of the five (5) cases that are still pending were received towards the end of the financial year. One (1) case of negligence could not be finalised on time due to the non-availability of the presiding officer who was involved in a car accident. The other two (2) pending are at disciplinary hearing stage.

The sanctions issued during the year under review vary in their severity i.e. dismissal, suspension without pay, written and final written warnings etc. One (1) employee was dismissed for theft during this financial year. Two (2) employees were issued with final written warnings as a sanction for misconduct in terms of clause 6.5 of the South African Local Government Bargaining Council (SALGBC) Disciplinary Procedure and Code Collective Agreement. In one instance the final written warning was coupled with maximum suspension without pay. Four (4) employees were cleared of wrong doing after the investigation and their cases were closed immediately.

Six (6) employees were issued with written warnings in terms of clause 6.4 of the SALGBC Disciplinary Procedure and Code Collective Agreement.

Two (2) collective grievances & one (1) individual grievance were received and all were resolved in line with the grievance procedure. However, one collective grievance was escalated to SALGBC as the aggrieved party was not happy with the outcome of the grievance.

Seven (7) labour disputes were referred to SALGBC and the arbitration awards of the three (3) finalised cases are in favour of the municipality. Four (4) disputes are still pending.

Two (2) disputes have been escalated to the Labour Court and the employees are challenging their dismissal. Matters at Labour Court normally take longer than expected to be finalised.

Skills development and training

The following table indicates various programmes as well as budget commitments undertaken by the Municipality to address the skills of its employees as well as the general communities.

Training Spend

PROJECTS	BUDGET ALLOCATED	REVIEWED BUDGET
External bursaries	R2 000 000	R3 000 000
Staff bursaries	R200 000	R200 000
WSP Implementation	R1 000 000	R1 000 000
Experiential learning	R480 000	R480 000
Internship	R480 000	R480 000

Bursaries

In the 2014/2015 financial year Sekhukhune District Municipality has been supporting students financially to study for various programmes at Universities.

The municipality is currently providing financial assistance to needy students who are attending various tertiary institutions. There are forty-one (41) students that are currently in the programme through the external bursary scheme that we provide. Approximately R3 Million is being spent every year on the bursary scheme. These students are studying in the various fields such as Engineering, Health Sciences, Accounting and Information Communication Technology.

CHAPTER FIVE: FINANCIAL PERFORMANCE

Statement of financial performance

The total revenue realised by the SDM for the 2014/2015 financial year stood at R889,7 Million as compared to total revenue of R1 Billion in the 2013/2014 financial year. Revenue from exchange items is summarised as follows:

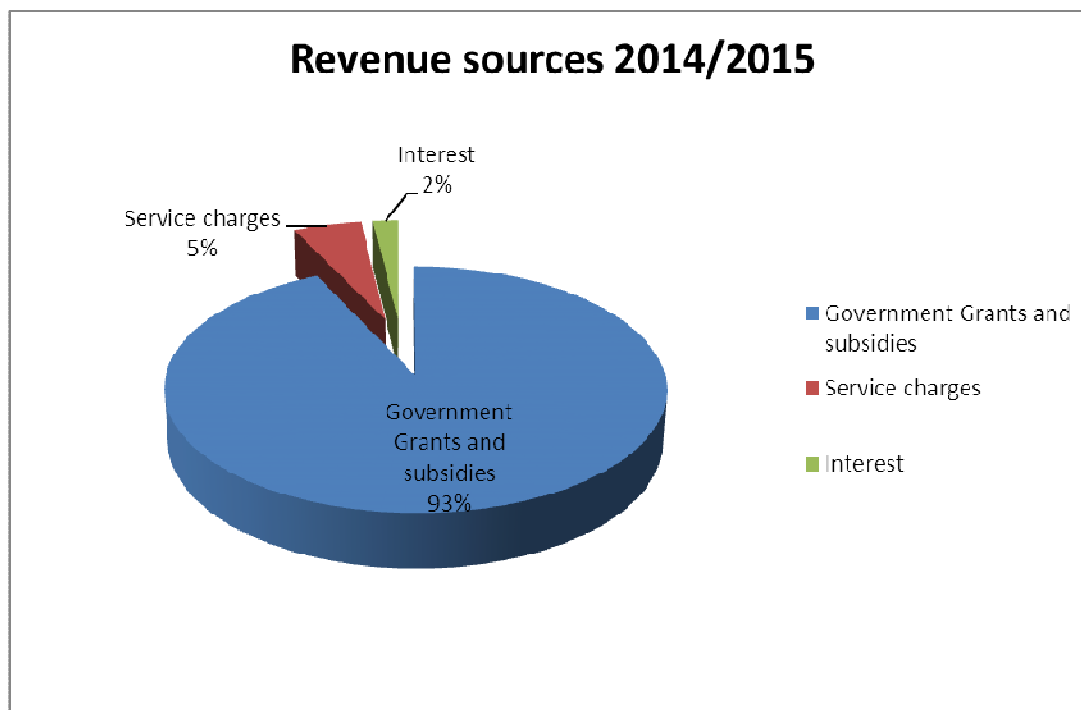
Service charges which is sale of water and sewer services stood at R42,7 Million in the 2014/2015 financial year as compared to R37,5 Million in the previous year which is 2013/2014.

Interest from receivables stood at R4,6 Million in the 2014/2015 financial year as compared to R7,5 Million in the 2013/2014 financial year. Other sources of revenue such as sale of tender documents contributed R2 Million in the 2014/2015 financial year as compared to R2,2 Million in the previous financial year 2013/2014.

The total revenue for exchange items stood at R114,7 Million in the 2014/2015 financial year as compared to R58,3 Million in the 2013/2014 financial year.

Revenue from non-exchange items stood at R775 Million in 2014/2015 financial year which compares to R1 Billion in the 2013/2014 financial year. The bulk of the revenue from non-exchange items is the government subsidies and grants which clearly indicates that we are a grant dependent municipality.

Revenue sources

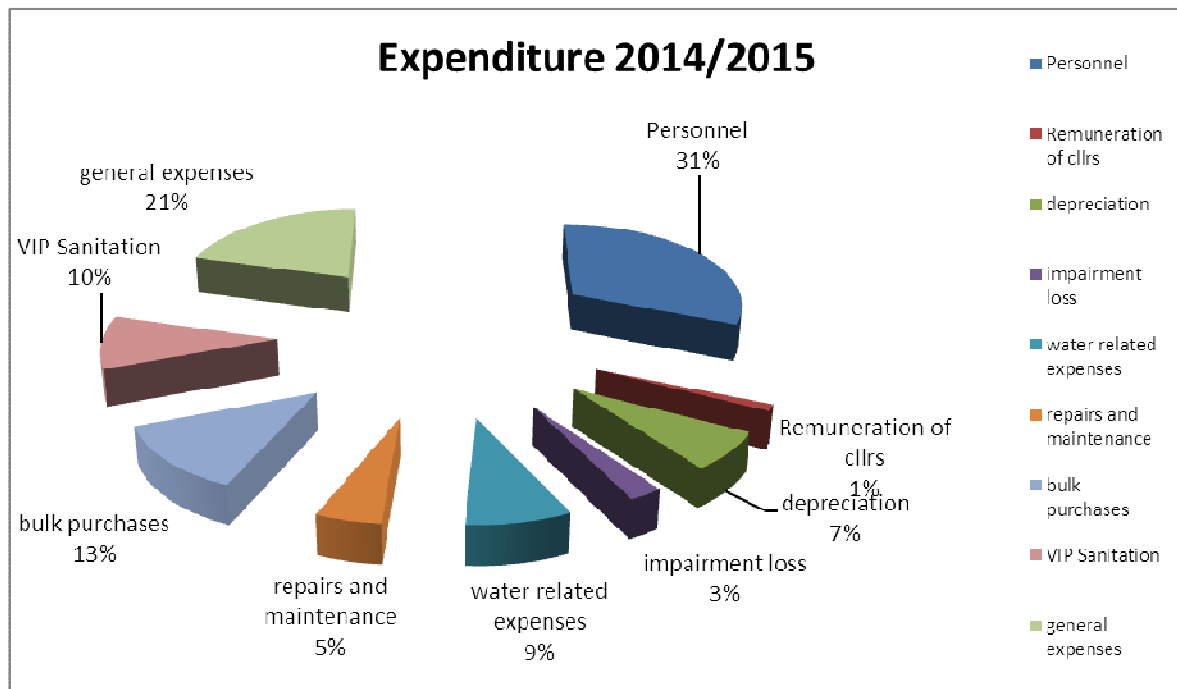


The above pie chart clearly indicates that the municipality is still receiving a large chunk of its revenue from government subsidies and grants at 93% (R817,7 Million). Services which is mainly water and sewer charges in the urban areas amount to 5% (R42,7 Million) and Interest which is at 2% (R16 Million). The interest portion is divided into two components, that is, interest from investments and interest from receivables.

Expenditure

The chart below indicates that Personnel costs remain the largest item of expenditure in the 2014/2015 financial year at 31% (R266,4 Million) as compared to R236,1 Million in the previous year. This relates to the payment of salaries and allowances for staff members in the district.

General expenses is the second biggest expenditure item at 21% (R175,3 Million) as compared to R132,8 Million in the previous year 2013/2014. The top five general expense items relate to provision of security, lease rental and operating lease, fuel and lubricants, laboratories and chemicals and well as consulting professional services.



Bulk purchases becomes the third largest area in the expenditure items at 13% (R109,5 Million) as compared to R90,5 Million in the previous year 2013/2014. Bulk purchases relate to purchase of electricity for water operations as well as purchase of water from various service providers for provision to communities.

VIP Sanitation is the fourth largest area of expenditure at 10% (R86,6 Million) compared to R215,1 Million in the previous financial period 2013/2014. The municipality has been constructing VIP Sanitation units in all the five local municipalities as part of dealing with the sanitation backlogs. Other areas of expenditure are as depicted in the chart above.

Surplus

The surplus as declared in the 2014/2015 annual financial statements of Sekhukhune District Municipality stands at R25,9 Million as compared to surplus of R284,1 Million in the previous year 2013/2014.

Asset Management

The Municipality has during 2014/2015 financial year used the appointed service provider to deal with asset management matters over the next 12 months. During 2014/2015 all the movable assets have been dealt with, 100% of immovable assets were verified and accounted for. The municipality is currently in process to clean-up immovable assets during 2015/2016 and beyond. It must be emphasised that these immovable assets are mainly the water services infrastructure that were transferred to the district municipality during the establishment of water services authority and provider functions.

Net asset position = Assets: Liabilities

The net asset position of the municipality stands at R2 096 492 467 in the 2014/2015 financial year as compared to the net asset position of R2 109 316 184 in the 2013/2014 financial year.

Even though the net asset position has reduced as compared to the previous year, the ratio exceeds the standard acceptable rate of 5% and this means that the municipality is in the position to pay off its liabilities from normal assets.

The municipality does not have adverse key financial ratios that cast a doubt on the going concern assumption.

Spending Against Capital Budget

Sekhukhune District Municipality received an amount of R387,8 Million in capital grants in the 2014/2015 financial year. The grants were received as follows:

Municipal Infrastructure grant to the tune of R281,1 Million

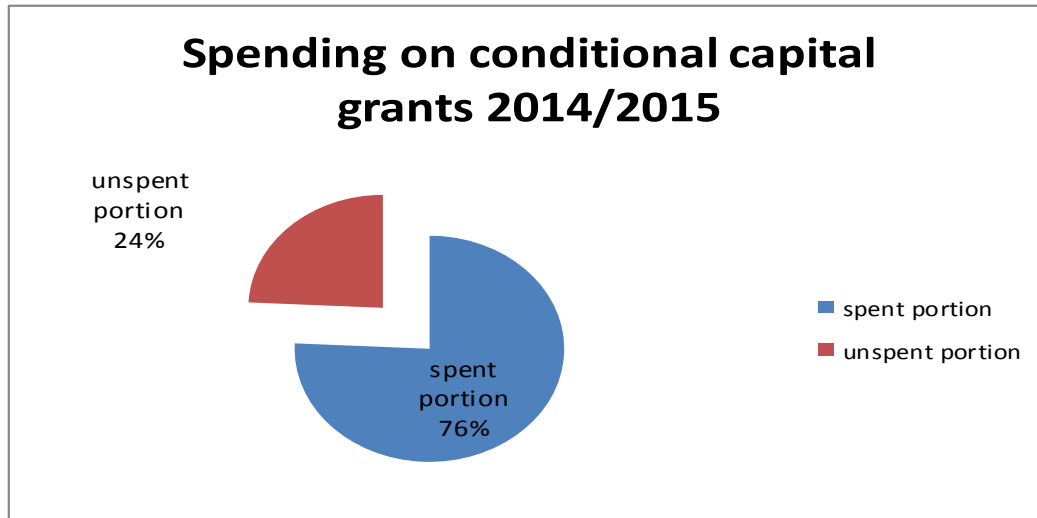
Regional Bulk Infrastructure Grant to the tune of R82,2 Million

Water Services Operating Grant to the tune of R20 Million

Rural Household Infrastructure Grant to the tune of R4,5 Million

Out of the R387,8 Million in grants that was received, R293,9 was spent at the end of the financial year. R77,8 Million was surrendered to National Treasury at the end of the financial year.

The figure below summarises the percentage capital expenditure on capital grants:



Sources of finance for capital funding

Revenue source	Receipts 2014/2015	As percentage
Municipal Infrastructure Grant (MIG)	R281,1 Million	73%
Regional Bulk Infrastructure Grant (RBIG)	R82,2 Million	21%
Water Services Operating Grant (WSOG)	R20 Million	5%
Rural Households Infrastructure Grant (RHIG)	R4,5 Million	1%
Total capital grants	R387,8 Million	100%

Municipal Infrastructure Grant is the main source of funding for capital projects in the 2014/2015 financial year depicted in the table above. The second highest in Regional Bulk Infrastructure Grant which stood at 21% of the total capital funding in the 2014/2015 financial year.

Cash flow management and Investment

By the end of the financial year 2014/2015 Sekhukhune District Municipality closed cash and cash equivalents of R74,4 Million.

The receipts by the closure of the financial year looking at cash flow from operating activities is that R1 081 857 175 was received and total payments of R745 811 551 were made. The net cash flow from operating activities at the close of the 2014/2015 period stood at R336 045 624.

Cash flow from investing activities (purchase of plant and equipment) stood at R169,1 Million at the end of the 2014/2015 financial year.

The above trends indicate that the SDM did not have any difficulties in the 2014/2015 financial in terms management of its cash flows and paying its dues.

Supply Chain Management

Procurement of goods and services done during the year were in compliance with supply chain management policy and regulations.

Grap Compliance

The annual financial statements (AFS) have been prepared according to GRAP standards as required by the Municipal Finance Management Act.

CHAPTER SIX: AUDITOR GENERAL FINDINGS AND OPINION

Auditor General Report 2014/2015 financial year

During the financial 2014/2015 the Auditor General of South Africa issued an Unqualified Audit Opinion for Sekhukhune District Municipality. This implies that the municipality has gradually improved in the manner in which financial management is being undertaken.

Auditor General Report 2013/2014

The Auditor General has given Sekhukhune District Municipality an Unqualified Audit Opinion in the 2013/2014 financial year. This represents an improvement compared to a Qualified Audit Opinion that was received in 2012/2013 financial year.

Conclusions

The draft annual report for 2014/2015 is hereby presented to reflect the performance of the municipality during the period under review. Many challenges still remain to be resolved and it requires the collaboration of all stakeholders to put their shoulders behind the wheel to ensure that service delivery is achieved whilst at the same time proper administrative systems and processes are also put in place to comply with best practices.

This annual report must not be read in isolation, the annexures to the annual report as stated below are also central towards overall understanding of the annual report namely:

Annexure A: Audited Annual Financial Statement 2014/2015

Annexure B: SDBIP Cumulative Performance Report 2014/2015

Annexure C: Performance of Service Providers Report 2014/2015

Annexure D: Audit Committee Report 2014/2015

Annexure E: Sekhukhune Development Agency Report 2014/2015

Annexure F: Oversight Report 2014/2015

Annexure G: Community consultation Report 2014/2015

Annexure H: Audit Action Plan 2014/2015

Glossary

Annual Financial Statement: the statement that reflects the financial position of the municipality regarding the revenue and expenditures, the statement also shows whether the municipality will be able to operate in the next twelve months based on its assets and liabilities using a formula on financial ratio to determine health

Annual Report: report that is compiled by the municipality indicating overall performance of the organisation in all key areas of service delivery and institutional performance, the report is compiled in terms of Local Government Municipal Finance Management Act, 2003 and submitted in the beginning of the third quarter of the municipal financial year to Council and other legally established structures for review and consideration

Governance: refers to establishment and implementation of systems, processes and procedures to ensure that the municipality and/or organisation complies with the laws, protocols, codes, standards for the purposes of managing risk and internal controls which applies here in South Africa and internationally

Integrated Development Plan (IDP): A five year strategic plan undertaken by a municipality outlining the key projects and programmes to be implemented by the Council which is prepared in accordance with the Local Government Municipal Systems Act, 2000 (Act 32 of 2000). The IDP can be reviewed annually in accordance with a prescribed process.

Risk Assessment: overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities and minimise loss

Risk management: the identification and evaluation of actual and potential risk areas as they pertain to the organisation as a total entity, followed by a process of either avoidance, termination and transfer, tolerance, exploitation, or mitigation of each risk, or a response that is a combination or integration

Service Delivery and Budget Implementation Plan (SDBIP): this refers to a detailed plan compiled by a municipality indicating the processes, measurement, indicators and targets that will be followed in implementing the IDP

Supply Chain Management: known and recorded systems and procedures for procurement of goods and services that are being followed by the municipality in line with the Preferential Procurement Framework Act

