

# Chapter 2

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

### COMPONENT A: MAYOR’S FOREWORD

On behalf of the Buffalo City Metropolitan Council and officials, I hereby present this Annual Report for the financial Year 2012/2013. This report will outline our performance on the targets we set ourselves to do over this period. The report will give our stakeholders and communities an insight into the performance and achievements of the Metro.

The mandate of Buffalo City Metropolitan Municipality is not unique to the broader mandate given to Local Government by the South African Constitution, chapter 7. The only uniqueness we have are the different legitimate expectations of our citizenry. Our specific mandate is drawn from the road shows we embark upon in drafting our Integrated Development Plan, which is our guiding document in our performance. Our resolve is based on servicing our communities wherever they live.

The current Annual Report outlines our successes and shortcomings in relation to our political mandate as provided in the key focus areas of Local Government, these can be summarised as follows;

Building a Municipality that is efficient, effective and responsive;

Strengthen Accountability and promote clean Metro operations;

Accelerating Service Delivery and supporting the vulnerable;

Promoting Economic and Social development;

Fostering Development Partnerships, Social Cohesion and community

Looking at the above priority areas, it is important to note that these can never be successful on their own, it becomes important that as a collective, Councillors and Officials, work together in identifying the challenges raised in the annual report and rectify them as soon as possible. Having said that, it is equally important to note that there are a few specific areas, which must receive particular attention going forward:

Improved mechanisms will need to be found to strengthen the accountability and discipline of officials in their daily work, both to each other and to political principals;

The establishment of project teams across the organisation must become central to a new way of working of officials. This will go a long way in breaking down the silo-approach to work. This project based approach to work must be directly linked to the performance

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management system for officials;

Speed, timing and excellence in the quality of daily work must become a key feature in the way in which officials undertake their work. The overall turn-around times of administrative and professional work will require significant improvement.

Ways will be sought to ensure that all officials, at some point, interact directly with our communities. Too often the single most important objective of the public service, i.e. of serving our people, becomes an abstract idea that is regarded as the exclusive domain of the political principals;

Finally, the Metro will ensure that its most valuable resource, i.e. its staff, is highly valued and supported. Training, personal development, career-pathing, talent management, coaching, mentoring and Employment Assistance Programmes are some of the specific interventions that will need to be enhanced.

Equally with the politicians, it is important that we focus our energies on the mandates we have from our respective political parties. Our differences should only be indication of a strong democratic state, not an impediment to deliver services to our people.

It is commendable to note the improvements in relation to our spending and expenditure patterns, but we need to do more. The ever present excuse of lack of resource might be a legitimate one, but the key question is how effectively we use the resources at our disposal. It is clear on this annual report that we are moving in the right direction, although not there yet. It is of paramount importance to synchronise our programme plans with quarterly targets to achieve our broader goals of effective and efficient Metro.

Signed by : \_\_\_\_\_

Z.V. Ncitha - Executive Mayor

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## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### CITY MANAGER'S OVERVIEW

The Annual Report for the 2011/2012 financial year has been compiled in accordance with Section 46 of the Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of the Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines. In particular, MFMA Circular No. 63, issued in September 2012, added guidance to the preparation of this annual report, requiring all municipalities to report within the established framework and for such reports to be submitted to the Auditor General at the same time as the Annual Financial Statements in August each year.

This report records the performance and progress made by the Buffalo City Metropolitan Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Institutional Scorecard and Service Delivery and Budget Implementation Plan (SDBIP) approved by Council for the year under review.

The 2012/2013 financial year marked the second year in office for the current Council, and significantly also the second year of Buffalo City as a metropolitan (category A) municipality.

The year under review had its share of successes and challenges from an administrative perspective. However, the Council has continued to strive towards the realisation of its vision to be “a responsive, people-centred and developmental City” which:

- Promotes a culture of good governance;
- Provides effective and efficient municipal services;
- Invests in the development and retention of human capital to service the City and its community;
- Promotes social and equitable economic development;
- Ensures municipal sustainability and financial viability;
- Creates a safe and healthy environment; and

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- Places Batho-Pele principles at the centre of service delivery

To this end, Buffalo City Metropolitan Municipal Council has adopted a new macro structure, which will be implemented in the 2013/14 financial year. In addition, the Provincial Department of Human Settlements awarded BCMM a Capacity Enhancement Grant, with the view to enabling the Metro to become sufficiently capacitated to undertake all the tasks of a level 2 housing accredited institution.

Buffalo City Metro has continued to sustain a good relationship with other organs of State and the international community as it works towards the provision of effective municipal services and the ongoing institutional support. The 5th Global Forum on Innovation and Technology Entrepreneurship was hosted in East London in May 2013. This south-south and north-south networking and knowledge sharing forum attracted a wide range of business incubator managers, policy-makers, SME entrepreneurs, financiers and development agencies from all continents.

Ward committees have been the key tool in ensuring that public participation across the Metro. BCMM was the first Municipality in South Africa to undertake Basic Knowledge Management Training for councillors at NQF Level 5, and has now established a partnership with COGTA, to include this training as part of their Capacity Building Programme for councillors in all local governments throughout the country. In addition, BCMM was part of the team which developed the Knowledge Management toolkit for KM Managers in Local Government in South Africa.

In an effort to curb fraud in the metro, the Municipality adopted a comprehensive Fraud Mitigation Strategy during the period under review. This is due to be rolled out in the 2013 / 2014 year with a detailed investigation into the requirements to operate a Fraud Hotline as well as Fraud Awareness sessions. This will be followed up with Fraud Risk assessments within directorates.

While the formal sector is generally well serviced with regards to basic services, BCMM is making the necessary provision for more informal settlements to be adequately serviced. The rapid growth of urban centres is putting pressure on the municipality to increase its capacity in order to respond to the service calls timeously. Ageing and worn bulk infrastructure is putting pressure on BCMM's resources and ability to deliver an efficient and effective service. This notwithstanding, in the year under review BCMM was awarded both the highest Blue Drop and Green Drop awards in the Eastern Cape for the provision of water and sanitation services.

The release of land, vested in the State, for the purposes of developing additional housing has been a cumbersome process which has historically hindered development within BCMM. In response to this challenge, in 2012/2013 financial year, the Metro started engagements with the Housing Development Agency (HDA) with the view of signing a protocol agreement that will allow for land release and acquisition. The metro also

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successfully negotiated the release of the sleeper site in the East London CBD from Transnet Property.

During the year under review, BCMM undertook two key roads projects which will have a massive positive impact on the communities which they serve:

- The construction tender was awarded for the Gonubie Main Road widening project. Construction commenced in April 2013 and completion is expected in October 2014;
- The completion of the detailed design and favourable outcome of the Environmental Impact Assessment for the implementation of a structure/bridge and related roads in Ndevana, providing access to a cemetery. A tender for the construction of this structure and road is currently being assessed and is expected to be awarded shortly;
- In a collaborative partnership with the National Ports Authority, the Buffalo Bridge was successfully rehabilitated and re-opened to the public in March 2013;
- Buffalo City successfully delivered its Sports and Tourism programmes by successfully hosting the December Summer Season activities, the Ironman Triathlon event and the Africa Golf Open Challenge;

However, the year was not without its fair share of challenges. The Bus-Rapid-Transport (BRT) project was stalled due to the metro's tender award being challenged by one of the unsuccessful tendering service providers. The General Valuations 2013 (GV13) project was also stalled due to litigation. Housing projects were hindered due to the poor performance of contractors, leading BCMM to cluster housing projects.

Finally, an important achievement for BCMM has been the appointment of a permanent Chief Financial Officer in March 2013, to strategically steer the finances of the institution into the future.

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A Fani  
City Manager

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## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

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The population statistics for BCMM vary widely, depending on which dataset has been utilised. For the reporting period of 2012-2013, there was no uniformity across the municipality with regards to which dataset was utilised. This was largely due to incongruities between the picture of the Metro painted by Census 2011 and what the officials understood to be the reality on the ground. An example of the incongruities are the 5,000 bucket toilets which Census 2011 states are to be found in the Metro, yet officials and councillors have no record of any bucket latrines in their area of jurisdiction.

As a result, the population figures provided here are based upon the 2001 and 2011 Census data, with discrepancies noted.

Using the 2001 Census data, the population is estimated to be 901,687 people.

Population Details									
Age	2011			2012			2013		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	45 506	44 298	89 805	46 184	44 958	91 143	46 873	45 628	92 501
Age: 5 - 9	38 682	37 471	76 153	39 259	38 029	77 287	39 843	38 596	78 439
Age: 10 - 19	71 882	72 055	143 937	72 953	73 129	146 082	74 040	74 219	148 258
Age: 20 - 29	83 332	87 071	170 403	84 573	88 368	172 942	85 834	89 685	175 518
Age: 30 - 39	61 638	66 918	128 556	62 557	67 915	130 472	63 489	68 927	132 416
Age: 40 - 49	48 018	58 733	106 750	48 733	59 608	108 341	49 459	60 496	109 955
Age: 50 - 59	36 054	46 240	82 294	36 591	46 929	83 520	37 136	47 628	84 765
Age: 60 - 69	18 647	24 832	43 479	18 924	25 202	44 126	19 206	25 577	44 784
Age: 70+	11 819	22 211	34 029	11 995	22 542	34 537	12 174	22 877	35 051

Source: Statistics SA (2001 Census) with an average 1.49% growth rate per annum applied

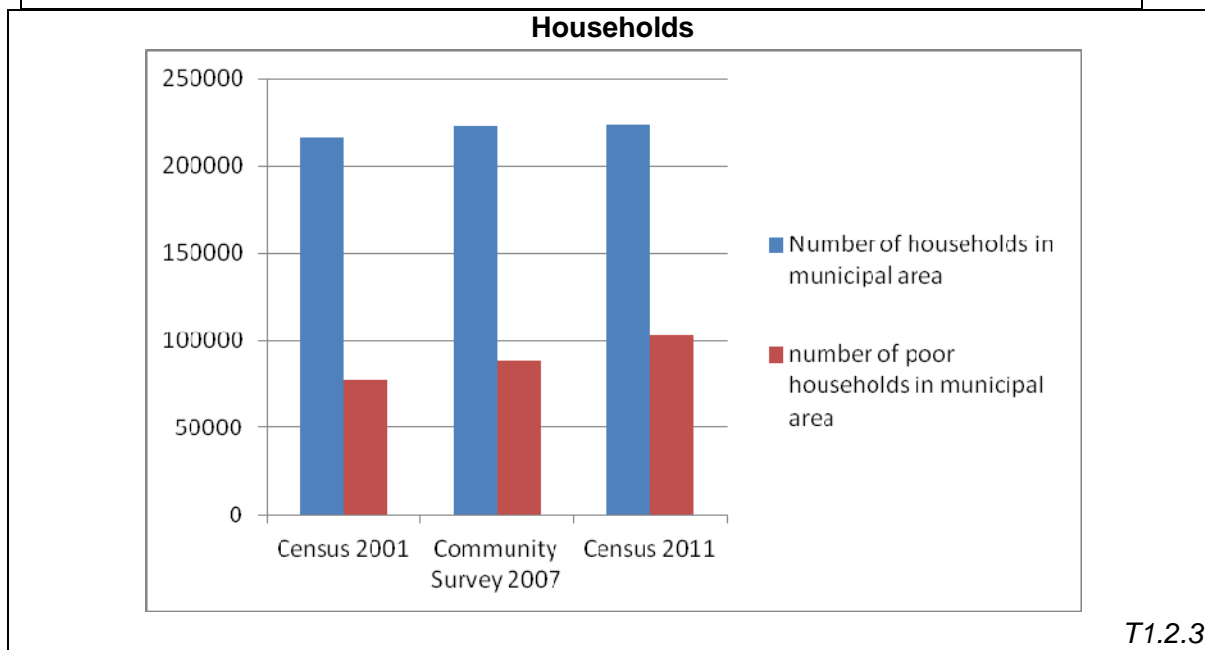
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Using the 2011 Census data, the population in the Metro is estimated at 777,873 people, using the same growth rate.

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Population Details									
Population '000									
Age	2011			2012			2013		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 - 4	39292	38211	77503	39877	38780	78658	40472	39358	79830
5 - 9	33365	32323	65688	33862	32805	66667	34367	33293	67660
10 - 19	62002	62152	124154	62926	63078	126004	63863	64018	127881
20 - 29	71894	75103	146997	72965	76222	149187	74052	77358	151410
30 - 39	53173	57723	110896	53965	58583	112548	54769	59456	114225
40 - 49	41432	50662	92093	42049	51417	93465	42676	52183	94858
50 - 59	31111	39888	70999	31575	40482	72057	32045	41086	73131
60 - 69	16090	21420	37511	16330	21739	38070	16573	22063	38637
70 +	10198	19161	29359	10350	19446	29796	10504	19736	30240

Source: Statistics SA (2011 Census) with an average 1.49% growth rate per annum applied  
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Socio Economic Status						
Year	Housing backlog as proportion of current demand	Unemployment Rate <sup>1</sup>	Proportion of households with no Income <sup>1</sup>	Proportion of population in Low-skilled Employment <sup>2</sup>	HIV/AIDS Prevalence <sup>2</sup>	Illiterate people older than 14 years <sup>1</sup>
2001		23.5%	12%			39.3
2007		25.6%	14%			39.3
2011	40 000 <sup>3</sup>	35.1%	17%			29.11
2012/2013					15% <sup>4</sup>	
<i>T 1.2.4</i>						

## Notes:

1. Unemployment, proportions of households with no income and Illiterate people older than 14 years old - obtained from Census 2011, Community Survey 2007, and Census 2001.
2. Proportion of population in Low-skilled Employment and HIV/AIDS Prevalence - no data for it as yet.
3. Based upon the number of applicants on the municipal housing waiting list
4. Sourced from the District Health Information System 2013

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The following table is based on Census 2011 statistics:

Overview of Neighbourhoods within BCMM		
Settlement Type	Households	Population
<b>Towns</b>		
East London	77 262	225 101
King Williams	9 908	34 015
Bhisho	3 166	9 192
<b>Sub-Total</b>	<b>90 336</b>	<b>270 308</b>
<b>Townships</b>		
Mdantsane	39 648	156 834
Phakamisa	1 886	6 602
Zwelitsha	5 410	18 186
Ginsberg	3 204	10 766
Dimbaza	6 378	21 294
Sweetwater	3 165	5 395
<b>Sub-Total</b>	<b>59 526</b>	<b>219 077</b>



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Overview of Neighbourhoods within BCMM		
Settlement Type	Households	Population
Rural Settlements		
Across BCMM	23 408	170 701
Sub-Total		
Informal Settlements		
Rural informal settlements	11 393	16 947
Townships informal settlements	10 415	19 046
Town informal settlements	27 980	59 121
<b>Sub-Total</b>	<b>49 788</b>	<b>95 114</b>
<b>Grand Total</b>	<b>223 058</b>	<b>755 200</b>

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Natural Resources	
Major Natural Resource	Relevance to Community
Ocean & coastline	Trade; Tourism; Subsistence; Recreation
Agricultural land	Agriculture
Bushveld & grasslands	Tourism; Subsistence agriculture

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## COMMENT ON BACKGROUND DATA:

Buffalo City is regarded as one of the key economic hubs of the Eastern Cape Province and is estimated to contribute about 23% to the total GDP of the Province and provides 19% of the Province's employment opportunities. Because of the coast and many natural attractions, the Eastern Cape in general, and Buffalo City in particular, have the potential to benefit from the worldwide annual tourism growth of 5% - 6%. To this end, BCMM is positioning itself both as a sporting destination and as an important node in the Eastern Cape "Adventure" Province. With the EL IDZ, the manufacturing and trade sectors are also seen as priority sectors.

However, Buffalo City has a high unemployment rate (31.5%: Census 2011) as well as a high illiteracy rate – with 29% of people 14 years and older being functionally illiterate.

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## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

#### **Water and Sanitation**

The basic level of service for households outside of the Urban Edge is communal standpipes and VIPs (or equivalent). Alternative sanitation technology options are also considered to optimise the operation and maintenance implications for BCMM.

The level of service for households within the urban edge is:

- Target level : erf connection and water borne sanitation; and
- Minimum level: yard connection and VIP (or equivalent).

#### **Shortfalls**

The total required funding, which is not part of the 2012-2015 MTREF, to address the water backlog to the following areas is R 111 325 707. This includes:

- Bulk Water Supply to Coastal Areas(Ward 31&27)
- Bulk Water Supply Newlands and Other Areas
- Ward 33 Water Supply Needscamp/ Ncera

The total required funding to address the sanitation backlog (Rural and Informal) in wards 49,40, 31, 33, 44, 43,16,45 and 36 is R431 742 000.

#### **Electricity**

During the year under review, the only formal houses which did not have electrification (40 Amps) were those new houses which had been built during the year and for which funding was required. However, this situation lasted a few months in the worst case scenarios. It can therefore be reported that all formal housing within the Metro is provided with electrification above the minimum basic requirement.

During the year under review, no informal settlements were electrified, although the process was initiated to enable this to begin in the 2014/15 financial year.

#### **Roads and Stormwater**

The Roads Department fulfils the following functions:-

- Maintenance and construction of surfaced proclaimed roads (including road-side furniture)

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- Maintenance and construction of gravel proclaimed roads (including road-side furniture)
- Maintenance and construction of major and minor structures (culverts, bridges, retaining walls)
- Maintenance of railway sidings
- Managing all activities within the road reserve (design approvals, way-leaves, accommodation of utilities, traffic calming facilities).

Roads across the Metro are deteriorating more rapidly as the available budget cannot adequately address the need for upgrade and additional maintenance.

## **Waste Management**

In line with the National Environmental Management Act, Buffalo City Metropolitan Municipality is in the process of reviewing its Integrated Waste Management Plan (IWMP) which was adopted by Council in 2003.

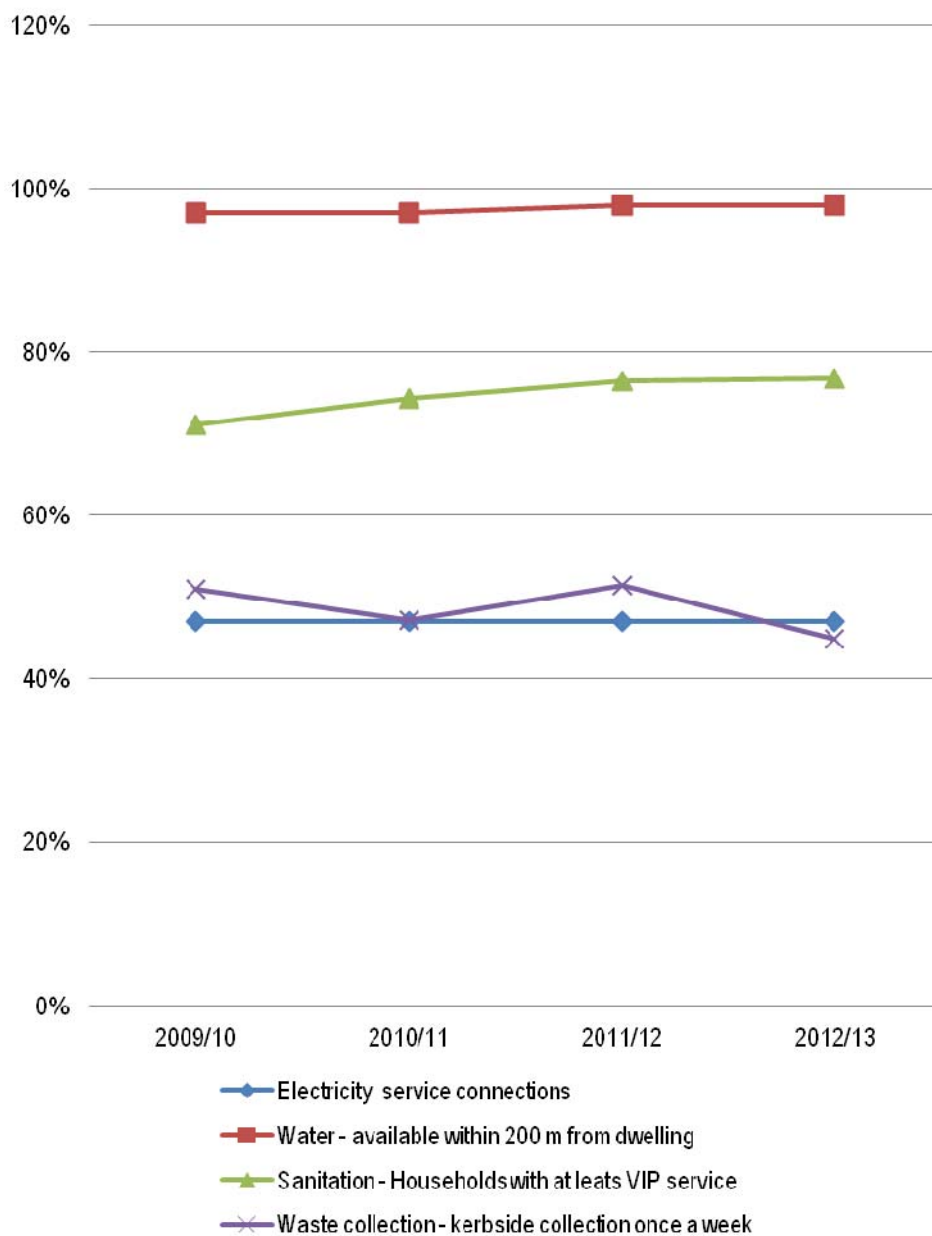
In addition, BCMM undertakes the following programmes on a regular basis:

- Street Sweeping and Refuse Removal
- Landfills and Waste Minimization
- Public Conveniences management

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## Proportion of households with access to basic services



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## COMMENT ON ACCESS TO BASIC SERVICES:

In general, access to basic services has increased over time in BCMM. The following key achievements are noted:

### **Water**

98% of the population has access to minimum basic water services. Only 3% of informal settlements are not supplied with adequate water services. 15,000 indigent people received free basic water.

However, BCMM is generally a water stressed region, which is due, largely, to the lack of additional capacity on the water treatment plants and unnecessary water losses due to old and poorly maintained infrastructure.

During the 2012/13 year, BCMM established the Kei Road water treatment plant, upgraded the pumping system on the Buffalo River, upgraded the Umzonyana water treatment plant and engaged Amatole Water with a view to establishing the viability of a dedicated bulk main from the Nahoon water treatment plant to the Quenera. Measures were also implemented to reduce water losses and the Water Conservation and Water Demand Management Strategy was adopted in 2012.

Although BCMM has struggled with water quality at times – due to effluent discharge into rivers, run off from agricultural lands, stormwater networks and runoff from informal settlements, the water quality was generally acceptable. BCMM was awarded the highest Blue Drop Rating in the Eastern Cape (92.55%).

### **Sanitation**

The sewerage system across BCMM lacks capacity, and is old and poorly maintained. This limits development, and in particular limits the development potential of the IDZ.

In order to address some of the identified challenges, BCMM is establishing a regional wastewater treatment works in Kei Road and Reeston.

In spite of the challenges, BCMM received the highest Green Drop Rating in the Eastern Cape – 86.7%.

Service provision was at or above minimum standards for 76.7% of the population and 67% of informal settlements had inadequate access to basic sanitation in the year under review. 12,000 indigent people received free basic sanitation.

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## ***Electricity***

The Queens Park Zoo substation is 95% complete. This will enable the Metro to electrify additional RDP settlements across the City.

During the year under review, 1,554 new electrical connections were made, general network enhancement was undertaken, and 5,200 new energy -efficient street lights were installed. 16,100 indigent people received free basic electricity.

## ***Waste Removal***

Waste removal is currently facing service challenges within the Metro. However, some of the issues around a lack of capacity were addressed during the year under review, with 10 new refuse compactor trucks being purchased

Currently, 44.8% of the population has their refuse removed at least once a week. 9,000 indigent people are provided with access to free waste removal.

## ***Housing***

BCMM has engaged with the Housing Development Agency, with a view to signing a protocol agreement which will allow for land acquisition and release for the purposes of housing delivery.

Some 40,000 people are registered on BCMM's housing database. In 2012/13, 432 houses were built under the Breaking New Ground programme. In addition, 1670 sites are at excavation level, 1377 houses are at roof height and 1327 houses are due to be handed over imminently.

BCMM has drafted a new Allocation and Reallocation Policy.

The Metro has been recommended for Level 2 Housing Accreditation. In light of this, the Department received a Capacity Enhancement Grant to facilitate the full proficiency of BCMM in this regard.

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## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The 2012/2013 financial year has yielded many successes for the Buffalo City Metropolitan Municipality, one of which was the appointment of a permanent Chief Financial Officer to strategically steer the finances of the Institution into the future. The Municipality has achieved accolades in the press for the significant improvement in capital spending which has occurred in the 2012/2013 financial year.

The surplus for the year is R199m (excluding Capital Transfers), which is a favourable variance of R272m in comparison to the budgeted deficit of R73m

Total revenue of R3,929m (excluding Capital Transfers and Contributions) did not achieve the expected budget expectations and there was a shortfall in collection of R29m. The main contributing factor to this shortfall is as a result of a reduced release of funding associated with operational projects expenditure to the extent of R77m.

Total expenditure totalled R3,730m in comparison to a budget of R4,032m thus resulting in a favourable variance of R302m. The largest contributors to this variance was a saving which was achieved within other expenditure of R291m (25%) and employee related costs totalling R98m or 9% of budget.

The surpluses generated by the Metro continue to have a positive impact on the call investment deposits which in turn contribute to above budget interest income of R28m (55%).

The long term loans comprise a total of R647m, which is a slight increase of R2m on the balance at the beginning of the financial year. The Institution has a facility with DBSA which it utilized during the financial year to the extent of R45m in order to fund new capital asset expenditure which was incurred in the prior year. The Institution is in an enviable position of having access to additional long term loan facilities in order to invest in the replacement of infrastructure assets.

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	R' 000		
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	804,866	796,769	1,244,897
Taxes, Levies and tariffs	2,553,331	2,553,331	2,546,163
Other	608,441	608,441	659,123
Sub Total	3,966,637	3,958,541	4,450,184
Less: Expenditure	3,992,222	4,031,666	3,735,723
Net Total*	(25,584)	(73,125)	714,461

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\* Note: surplus/(deficit)

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Operating Ratios	
Detail	%
Employee Cost as a percentage of Operating Revenue	23.06%
Repairs & Maintenance as a percentage of Total Revenue (excl. Capital Transfers and Contributions)	6.49%
Finance Charges to Operating Expenditure	3.00%
Cost Coverage	4
Debt to Revenue	16.50%
Current Ratio	2.11 : 1
Liquidity Ratio	2.05 : 1
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## COMMENT ON OPERATING RATIOS:

**Employee Costs as a percentage of Operating Revenue:** The rate of 23.06% is lower than the expected norm of 30%.

**Repairs and maintenance as a percentage of Total Revenue (excl. Capital Transfers and Contributions):** The rate remains stable at around 6% for the past 4 years, currently 6.49%

**Finance Charges to Operating Expenditure:** The rate continues to decrease as a result both of increases in Operating Expenditure and no new borrowings being incurred by the Metro. The rate currently is 3%.

**Cost Coverage:** This rate has fluctuated over the past four years and currently is at 4 months, representing how many months expenditure can be covered by cash and other liquid assets available to the Metro.

**Debt to Revenue:** The rate of 16.50% is below National Treasury's maximum of 35%.

**Current Ratio:** The rate of 2.11 : 1 is regarded as good and indicates the Metro's ability to pay Current Liabilities with available Current Assets. The norm is set at 1.5 : 1, so the Metro's Current Ratio is better than the Municipal Industry norm.

**Liquidity Ratio:** The rate of 2.05 : 1 is regarded as good and indicates the Metro's ability to pay Current Liabilities with available Current Liquid Assets. The norm is set at 1.1 : 1, so the Metro's Liquidity Ratio is better than the Municipal Industry norm.

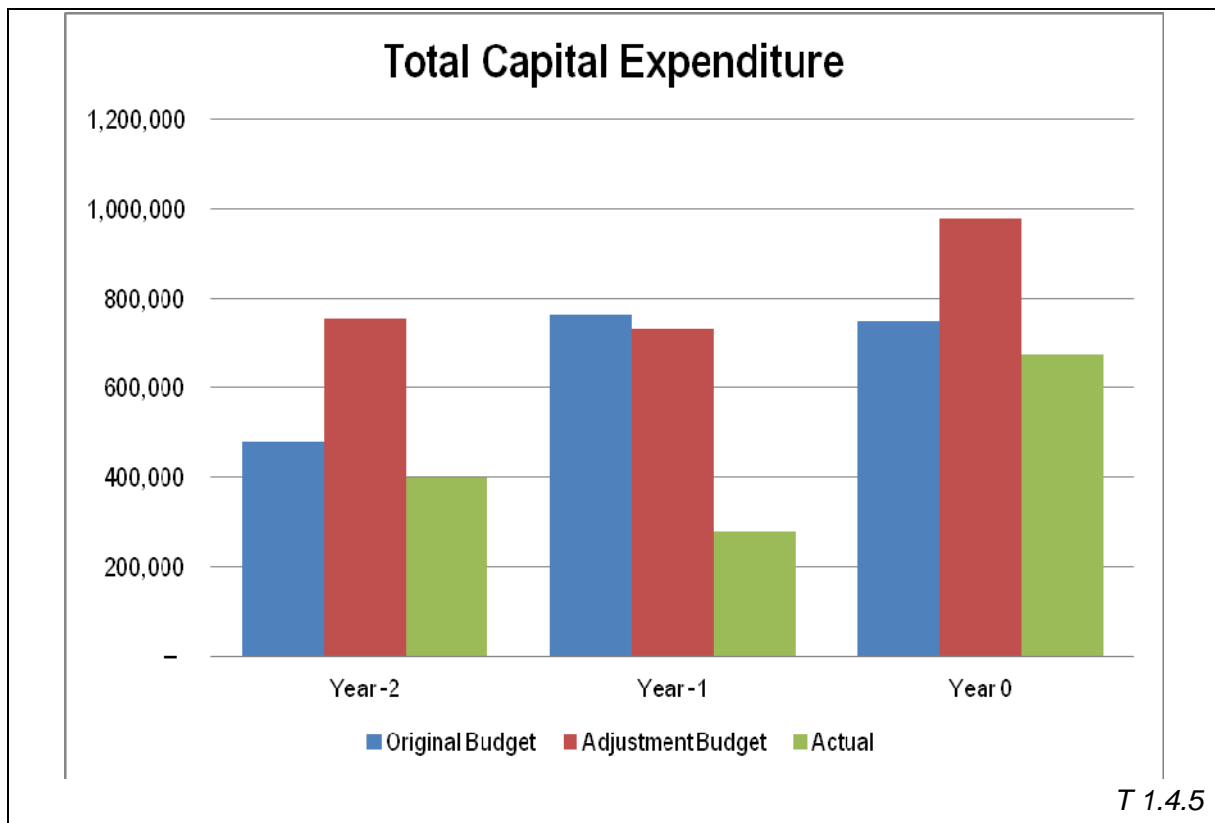
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Total Capital Expenditure: 2010/2011 to 2012/2013			
			R'000
Detail	2010/2011	2011/2012	2012/2013
Original Budget	481 212	764 669	749 097
Adjustment Budget	754 576	731 541	978 103
Actual	397 704	278 888	675 941

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### COMMENT ON CAPITAL EXPENDITURE:

BCMM has spent 69% of its capital budget, which reflects a significant improvement when compared to the two previous financial years. The under-spending of the total budget is mainly due to a BRT tender that is currently under litigation, and housing projects that were delayed due to late approval of EIAs.

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## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

The 2012/2013 financial year was a key in BCMM's transformation to a Metropolitan Municipality. During this year the Municipality finalised into Macro-structure. This sets out the broad functional structure of the Metro; the political governance structure and the Senior Management posts (section 56 posts), inclusive of the City Manager and Heads of Departments.

The macro-structure was adopted by Council as its meeting in May 2013. This has paved the way for both the filling of the Heads of Department posts, as well as the finalisation of the micro-structure i.e. the organisational structure below S 56 level. The deadline for completion of the structure is September 2013 and all staff are to be integrated into such structure by June 2014. In addition, the posts of Heads of Departments are being advertised in August 2013.

A further key organisational development issue was the adoption by Council in June 2013 of an Employee Performance Management System (EPMS) Framework and Policy. BCMM is rolling-out employee performance management to all staff over the following three (3) financial years; commencing with a roll-out of staff to Programme Manager level in the 2013/14 financial year.

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## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: 2012/2013

**Delete Directive note once comment is completed** – State the type of opinion given (disclaimer; adverse opinion; qualified opinion; unqualified opinion with 'other matters'; and an unqualified opinion) and briefly explain the issues leading to that opinion. In terms of a disclaimer you must state that 'the accounts of this municipality were too deficient in essential detail for the Auditor General to form an opinion as to the financial viability or rectitude of this municipality'. If opinion is unqualified, briefly explain the key steps taken to accomplish and maintain (where appropriate) this important achievement. Note that the full audit report should be contained in chapter 6 of the Annual Report.

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## 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, in order 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 2012/2013 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
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 audits the 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
		<i>T 1.7.1</i>

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## COMMENT ON THE ANNUAL REPORT PROCESS:

During the 2012/2013 financial year, National Treasury issued MFMA Circular 63, without replacing Circular 11, which also regulates the content of the Annual Report and sets out a revised format. In addition, this circular prescribes new timeframes within which the Annual Reports shall be compiled and presented.

The timeframes have been adjusted to coincide with the submission of the Annual Financial Statements in August each year. This has required the IDP office, which is responsible for the collation of the Annual Report, and the Finance directorate, responsible for the Annual Financial Statements, to work closely together.

The benefits of the revised timeframes will only be realized in the 2013/14 year, as all relevant data is made available for planning processes. The intention is clearly that this will make the IDP and Budgeting processes easier. With both the Annual Report and Annual Financial Statements available at the start of the new year, it becomes easier to align the budget, IDP and performance management targets. This is expected to have positive spin-offs as progress can be measured more effectively year on year.

Given the substantial change in both the reporting format and the revised timeframes, BCMM has experienced some “teething problems”. Firstly, the development of this Annual Report came not very long after the submission of the 2011/2012 report. In addition, the data and formatting posed some challenges to the process. Although the required data is generally available across the Municipality, the collation thereof into the required formats took substantial time. In some instances, the reporting requirements did not seem to relate clearly to the way in which certain departments are used to reporting. The report structure was also not always well aligned to the municipal structure. There was, therefore, some confusion within the development process as to exactly what should be reported and where this information should be positioned in the report. Furthermore, the challenges identified with regards to departments using different baseline statistics for service delivery made the reporting on backlogs and achievements somewhat difficult.

However, in spite of the challenges experienced, BCMM has succeeded in compiling an Annual Report which is expected to meet the requirements of the Auditor General. In subsequent years, the process should be smoother, given that the report structure will be familiar and that the timeframes will be easier to meet, given that there will be a full year between reports.

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