

NEWCASTLE MUNICIPALITY

ANNUAL REPORT 2017'18



VOLUME 1

Tabled on 31 January 2019

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PREFACE

Legislative

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that “

Every municipality and every municipality 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 a 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.

The purpose of an annual report is-

To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;

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

To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

The annual report of the municipality must include-

- ✓ *The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
- ✓ *The Auditor General report in terms of section 126 (3) on those financial statements.*
- ✓ *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
- ✓ *The Auditor General’s audit report in terms of section 45 (b) of the Municipal Systems Act.*
- ✓ *An assessment by the municipality’s accounting officer of any arrears on municipal taxes and service charges;*
- ✓ *An assessment by the municipality’s accounting officer of the municipality’s performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality’s approved budget for the relevant financial year;*

- ✓ *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*
- ✓ *Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
- ✓ *Any information as determined by the municipality;*
- ✓ *Any recommendations of the municipality's audit committee; and*
- ✓ *Any other information as may be prescribed.*
- ✓ *The annual report of a municipal entity must include-*
- ✓ *The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
- ✓ *The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
- ✓ *An assessment by the entity's accounting officer of any arrears on those financial statements;*
- ✓ *An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
- ✓ *Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
- ✓ *Any information as determined by the entity or its parent municipality;*
- ✓ *Any recommendations of the audit committee of the entity or its parent municipality; and*
- ✓ *Any other information as may be prescribed."*

ABBREVIATIONS

AG	Auditor-General
AOPI	Audit of performance information
BEE	Black Economic Empowerment
CBD	Central Business District
CBP	Community Based Planning
CIF	Capital Investment Framework
COGTA	Co-operative Governance and Traditional Affairs
DAERD	Department of Agriculture, Environmental Affairs and Rural Development
DBSA	Development Bank of South Africa
DEA	Department of Environmental Affairs
DLTGA	Department of Local Government and Traditional Affairs (Now Cogta)
DME	Department of Minerals and Energy
DOE	Department of Education
DOH	Department of Housing
DORA	Division of Revenue Act
DOT	Department of Transport
DWAF	Department of Water Affairs and Forestry
EDBS	Enhanced Discount Benefit Scheme
EIA	Environmental Impact Assessment
ENTITY	means "UThukela Water (Pty) Ltd"
EPWP	Extended Public Works Programme
EXCO	Executive Committee
FLISP	Financial Linked Individual Subsidy Programme
GAAP	General Accepted Accounting Practice
GGP	Gross Geographical Product
GIS	Geographical Information System
GIS	Geographic Information System
GRAP	General Recognised Accounting Practice
HAD	Housing Development Agency

HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	Information Communication Technology <i>also referred to as IT</i>
IDP	Integrated Development Plan
IDP	Integrated Development Plan
IDP RF	Integrated Development Plan Representative Forum
IESBA	International Ethics Standard Board for Accountants
ISA	International Standard on Auditing
IT	Information Technology
IWMP	Integrated Waste Management Plan
KPA	Key Performance Area
KPI	Key Performance Indicator
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
KZN	Kwazulu-Natal
LED	Local Economic Development
LGTAS	Local Government Turn Around Strategies
LRAD	Land Redistribution for Agricultural Development
LUMS	Land Use Management System
M & E	Monitoring and Evaluation
MDB	Municipal Demarcation Board
MEC	Member of the Executive Council (Local Government and Traditional Affairs)
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act No. 56 of 2003
MFMA	Municipal Finance Management Act (Act 56 of 2000)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSA	Municipal System Act (Act 32 of 2000)
MTCF	Medium-term Capital Framework
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MTSF	Medium Term Strategic Framework

MWIG	Municipal Water Infrastructure Grant
NDP	National Development Plan
NHBRC	National Home Builders Registration Council
NLM	Newcastle Local Municipality
NNTAS	Newcastle Turnaround Strategy
NSDP	National Spatial Development Perspective
NWMS	National Waste Management Strategy
NWRS	National Water Resource Strategy
OHS	Occupational Health and Safety
PAA	Public Audit Act
PGDS	Provincial Growth and Development Strategy
PGDS	Provincial Growth and Development Strategy
PIMS	Planning, Implementation and Management System
PLWHIV	People Living with HIV
PMS	Performance Management System
PMS	Performance Management System
PMS	Performance Management System
PMU	Project Management Unit
PPP	Public-Private Partnership
PSEDS	Provincial Spatial Economic Development Strategies
PSEDS	Provincial Spatial Economic Development Strategy
PTP	Public Transport Plan
RDP	Reconstruction and Development Programme
RSC	Regional Service Centre
SADC	Southern Africa Development Community
SANS	South African National Standard Governmental
SCOPA	Standing Committee on Public Accounts
SDBIP	Service Delivery and Budget Implementation Plan
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SDP	Site Development Plan

SEA	Strategic Environmental Assessment
SMME	Small, Medium and Micro Enterprise
SPLUMA	Spatial Planning and Land Use Management Act
TA	Tribal Authority
TLC	Transitional Local Council
VTC	Voluntary Testing and Counseling
WCDM	Water Conservation and Demand Management
WSA	Water Services Authority
WSB	Water Services Backlog
WSDP	Water Services Development Plan

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2. National Treasury website (www.treasury.gov.za)
3. STATS SA
4. Local Government Turn Around Strategy
5. Newcastle Municipality Annual Financial Statements 2017/18
6. Report of the Auditor-General for the Newcastle Municipality for 2017/18
7. UThukela Water Annual Report 2017/18
8. Newcastle Municipality Annual Performance Report 2017/18
9. Annual Report of the IT section 2017/18
10. All relevant policies and frameworks
11. All relevant legislation

ACKNOWLEDGEMENT

Special Thanks to:

- ✓ *Councillors and officials of the Newcastle Municipality*
- ✓ *Officials of the Office of the Auditor-General*
- ✓ *Officials of CoGTA*
- ✓ *Officials of all relevant Sector Departments*
- ✓ *Officials at Statistics SA*
- ✓ *Audit Committee of the Newcastle Municipality*
- ✓ *Officials of UThukela Water (Pty) LTD*

CHAPTER 1

MAYOR'S STATEMENT ON POLICY AND COMMITMENT



D P SIBIYA
DEPUTY MAYOR

Honorable Madam Speaker, this Annual Report for the year 2017/18 covered a period where we witnessed many changes both administratively and politically. The purpose of an annual report is-

- ✓ To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
- ✓ To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- ✓ To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

My interaction with stakeholders and our beloved community reminds me that people really want a stable municipality that delivers on their needs. The demands therefore remains much more than the municipality can afford. Our main focus therefore, has been on financial, administrative stability and retaining service standards. This Annual report highlights both our achievements and challenges in trying to maintain the balance, without

compromising on the service delivery expectations. Honestly, the year has not been without difficulties, and it is through these difficult times that we are inspired to persevere in our quest to be a Model City!

As a Council, we stand by our Vision 2035 as expressed in our 4th Generation IDP . We are indeed hard at work! Another unqualified audit report for 3 years consecutively, during really financially trying times – is a reflection of sound financial systems. Much more need to be done to improve on the implementation of our performance management system and other findings by the Auditor-General as highlighted further in the report. I am confident that our recent appointments in top management will enhance administrative stability and accountability towards achieving the objectives of the municipality accordingly.

I want to encourage that we can achieve anything if we work together as a collective toward our common goals irrespective of political, social and economic backgrounds – and the message therefore to Councillors, municipal officials and communities is that “UNITY IS STRENGTH”, and indeed “NOTHING IS IMPOSSIBLE UNTIL IT IS DONE!!!”.

In tabling this Annual Report Madam Speaker, may I re-affirm that our staff is our greatest resource and are encouraged to carry the values for the organisation with integrity, accountability, respect, excellence and innovation.

In terms of section 127 of the Municipal Finance Management Act, the Annual Report 2017/18 is hereby tabled.

Thank you!

FORE-WORD OF THE MUNICIPAL MANAGER

As the Accounting Officer of the Municipality, I confirm that this 2017`18 Annual Report has been compiled in line with Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA). The report records the performance and progress achieved by Newcastle Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Organizational Scorecard and Service Delivery Budget Implementation Plans (SDBIP) as approved by Council for the 2017`18 financial year. It also includes corrective action to be taken for targets not met.

2017`18 marks the first year that the 4rd Generation Integrated Development Plan (IDP) was implemented. The main focus of the 4rd Generation Integrated Development Plan (IDP) was on financial stability and maintaining service standards under very trying times.

The municipality operated with a high vacancy rate in top management, and like most municipalities across the county – continues its efforts towards financial discipline and stability.

Our financial situation is not looking good, and we have since established a number of committees which are aimed at intensifying service delivery. We are also working around the clock to review this unfortunate financial situation we find ourselves in. We have amended some of our budget related policies so as to ensure it yields positive results in as far as the revenue collection is concerned.

The payment factor has unfortunately declined from 80% last year to 74% this year, and remain a concern that requires the attention of all stakeholders, especially the community of Newcastle. . The introduction of a radical approach is necessary to root out the culture of non-payment from our communities. Increasing consumer awareness to promote a culture of payment and to roll out the incentive schemes have commenced intensely in the 17/18 year. This was done firstly through the Constituency meetings facilitated through the Speakers Office, budget road shows etc. We will continue conducting outreach programs to create awareness in respect of: municipal bills, incentive schemes, with emphasis placed on paying the current bill every month on time and the old debt will be written off. Debt management continues to be key intervention area –I am confident that with continued efforts and commitment by management and Council, this too will progressively improve over the next few years.

Tightening the municipal wallet also resulted in a reduced capital development programme in the 17/18 year. Capital investment is now reliant on grant funding, and it is pleasing to note that expenditure at year end on the capital programme was 90%. This Report highlights the achievements and challenges in this regards further.

The Council have also in the year prioritized the filling of critical posts. This is evident with the appointment of myself as Accounting Officer in January 2018, and the much awaited appointment of a Chief Financial Officer was finalised in February 2018 after almost 4 years. The recruitment process of the other 4 top management posts were in progress at year end. The moratorium on the filling of posts was also lifted in the year for the filling of critical vacancies to ensure that service standards are not compromised and to minimize service interruption. My priority in respect of institutional development, is to instill a culture of accountability with my team – and that is to ensure the development of efficient and effective systems, procedures and controls immediately.

I am pleased to announce that Newcastle Municipality received an unqualified audit opinion from the Office of the Auditor-General for the 2017 /18 financial year, resulting in 3 consecutive years positive audit outcomes. This was only possible through the perseverance of a committed and dedicated management team. I would be

failing as Accounting Officer if I do not commit myself and that of my management to achieving a Clean Audit, as we are in the process of finalising our Clean Audit Strategy 2020. More emphasis is now also being placed on governance related issues holistically. A new Audit committee was appointed in April 2018 that will contribute to improved governance matters, whilst the MPAC remains active in ensuring its oversight role. The appointment of a new Chief Risk Officer is also in progress.

I am proud to be a part of a winning team which has enabled Newcastle Municipality to achieve best Level 2 Accredited municipality in the County for human settlements, as we have retained the Govan Mbeki Award for the 2nd time within 5 years.

Other achievements are highlighted further in the report.

As Management we could not have achieved what we have without the collective “ Team Newcastle” commitment. A thank you also to the community and stakeholders for support, co-operation and participation during the past year. I am confident that in the New Year, we are bound for better and bigger things to come....

Through our Collective efforts and leadership, we commit ourselves to transform the municipality into a well-oiled machine of service delivery!!!

M J MAYISELA (Mr)
Acting Municipal Manager

VISION 2035

BY 2035, NEWCASTLE WILL BE A RESILIENT AND ECONOMICALLY VIBRANT CITY, PROMOTING SERVICE EXCELLENCE TO ITS CITIZENS.

MISSION STATEMENT

NEWCASTLE LOCAL MUNICIPALITY TOGETHER WITH ITS CITIZENRY, COMMITS TO REALIZE ITS VISION THROUGH INNOVATIVE SERVICE EXCELLENCE, ACCELERATED SERVICE DELIVERY, SUSTAINABLE INFRASTRUCTURE DEVELOPMENT, PROMOTING SOCIO-ECONOMIC DEVELOPMENT AND SPATIAL INTEGRATION.

PRIORITY ISSUES AS IDENTIFIED IN THE 4TH GENERATION IDP

- Sound Financial Management/Viability (incl. Debt collection and management);
- Improved access to basic service delivery (i.e. water, sanitation, electricity, housing, waste removal);
- Local Economic Development (eradication of poverty and unemployment);
- Improved quality of roads and stormwater infrastructure (including sidewalks);
- Environmental sustainability (environmental conservation/management);
- Accelerated Municipal Transformation and Corporate Development;
- Improved access to public facilities (including educational facilities – provincial mandate);
- Improved community safety;
- Improved access to basic health services (NB: provincial mandate); and
- Improved access to land (including Land Reform).

CHAPTER 2

MUNICIPAL OVERVIEW



Figure 1: Location of Newcastle within the KwaZulu-Natal Province.

According to the recent Community Survey (2016) conducted by Statistics SA, Newcastle Local Municipality (KZN252) remains the highest contributor in terms of population growth within Amajuba District Municipality. As of 2016, the population of Newcastle is recorded at 389 117 people, thus marking a 7,1 % increase (25 881 people) over a 5-year period from the year 2011 (363 236 people). This means that on average, Newcastle has experienced a 1,42% annual growth rate, which translates to 5 176 people per year. Newcastle has also experienced a significant increase in the total youth proportion of the population. In terms of the wider KwaZulu-Natal Province, Newcastle ranks 2nd as the local municipality with the highest number of people when compared to other local municipalities, with the highest being the Msunduzi Local Municipality. The population of Newcastle is spread unevenly over 34 wards as per the outcomes of the recent delimitation process by the Demarcation Board, marking a 3 wards increase.

Traditionally, the town of Newcastle started off as Post-Halt Number 2 on the journey between Durban (then Port Natal) and the Zuid-Afrikaansche Republiek (Transvaal) and Johannesburg. It was strategically positioned in the year 1854, by the Surveyor General of the Natal Colony, Dr. P. C. Sutherland. The city was later known as the Waterfall River Township

because of the Ncandu River and, in 1864, the town of Newcastle was founded on the site becoming the forth settlement to be established in natal after Durban, Weenen and Pietermaritzburg. Newcastle was named after the British Colonial Secretary, the Duke of Newcastle and, in 1873 Newcastle became a separate electoral division. In the year 1876, the Fort Amiel was built as a barrier against the Zulus, Fort Amiel now being embraced as one of the significant national heritage sites.

In 1897, a sandstone construction of the town hall started and it was completed two years later in 1899. The town hall was constructed in commemoration of Queen Victoria's diamond, the '60th Jubilee.' The town was also used as a depot by the British during the First and Second Boer War. It also functioned as a major transport junction and a popular stopover for wagons and post chaises during the late 19th century. Newcastle also served as an arena when the British preparation work for the Pretoria Convention of 1881 was done. In 1890, the first train arrived in Newcastle and in the year 1891, Newcastle was declared a district with its own administrative unit. The discovery of coal reserves brought a new era of prosperity and the planning of several ambitious building projects.



Figure 2: The location of Newcastle within the Amajuba District.

Newcastle Local Municipality is one the three local municipalities that make up Amajuba District Municipality, with the others being Dannhauser and eMadlangeni Local Municipalities. It is located on the North-Western of the KwaZulu-Natal Province and borders onto Free State and Mpumalanga Provinces to the West and North respectively. The local municipalities of eMadlangeni and Dannhauser Local Municipalities are located along the Eastern and Southern boundaries of Newcastle. Spatially Newcastle covers an area of approximately 1 854km² in extent. A high majority of the people (80%) within Newcastle resides within the Newcastle East area, which is predominantly township and semi-rural areas characterised by a general lack of adequate infrastructure.

The boundaries of Newcastle Local Municipality were delineated in terms of the Municipal Demarcation Act, 1998 (Act No. 27 of 1998), and takes in account population movement trends, regional economic patterns and the current land use pattern. Currently Newcastle has 34 wards and out of these wards, wards 1, 6, 7, and 30 fall under the custodianship of the Tribal Authorities (Inkosi u-Khathide and Inkosi u-Hadebe) held in trust on behalf of the Ingonyama Trust Board, in terms of the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3KZ of 1994). As mentioned above, the population is spread unevenly amongst 34 wards with the majority of the population residing in the Newcastle-East area. The boundaries are not just administrative, but are also intended towards the promotions of social cohesion and economic development that's mindful to environmental sustainability, whilst at the same time strengthening the existing regionally significant economic and functional linkages.

Newcastle Local Municipality is well placed to benefit from regional economic growth given its strategic location at the nexus of major tourism, logistics, farming and industrial routes, and as the seat of government in KwaZulu-Natal Province. It is located halfway between Johannesburg and the harbours of Durban and Richards Bay, hence contributing to the export of manufactured goods and supply to the large Gauteng market. Newcastle is also endowed with good access infrastructure to the areas mentioned above, and such includes quality road and railway networks. The town is situated on the national rail route between the Durban Container Terminal and City Deep in the Gauteng Province, and has within its confines, a major rail exchange terminal, supporting railway stations and extensive goods conversion/warehousing facilities.

The city's local authority has jurisdiction over the surrounding maize, livestock and dairy farms including the industrial areas such as Karbochem, Mittal Steel South Africa (previously ISPAT/ISCOR), and the textile service industry. In addition, the city is also well endowed with coal reserves hence opportunities for coal mining within the area. Arcelor Mittal produces

over 105 million tons of steel products annually. Although the Arcelor Mittal steelworks and the Karcbochem synthetic rubber plant dominate the Newcastle industrial portfolio, there is a wide range of manufacturing undertakings sharing in the success of the region. Newcastle has welcomed many Chinese and Taiwanese into the region with the addition of over a hundred textile factories.

During the year 2002, the chrome chemical plant was completed in Newcastle which comes as a clear reflection of the city's industrial future. The joint venture project between Karbochem and the German specialist manufacturing giant LANXESS has made Newcastle the largest producer of chrome chemical in Africa. The company announced an investment of €40 million (almost R600 million) in 2012 towards the construction of a CO2 plant at its site. Mittal Steel also completed a R400 million project to rebuild one of its coke batteries. Other large operations include a diamond cutting works, various heavy engineering companies, steel reinforcement and slagment cement factories.

The Blackrock Casino and Entertainment Hotel provides much entertainment to Newcastle and the surrounding areas. The Newcastle Mall which was constructed by Zen Prop as a R500 million investment, is found adjacent to the Black Rockcasino and Entertainment Hotel, and it serves as a one-stop shopping destination for the wider region of Northern KwaZulu-Natal. Current and planned urban developments within Newcastle entail the new multi-storey Civic Centre, the 80 million expansion of the Victoria Mall, the Meadowlands Estate in Madadeni (residential estate), major extensions and upgrade of the Madadeni Hospital (Northern KwaZulu-Natal Regional Hospital), a R100 million upgrade of the Madadeni Police Station, the Vulintaba Estate, more development at the corner of Allen street along the Trim Park, the new Audi dealership next to Newcastle Mall (Aquaranf), Spar at corner Allen and Memel Road, planned Mercedes-Benz and dealership next to the Newcastle Mall (Aquarand), the development of the Heartlands Dry Port next to the train station, and the possible extension of the Newcastle Airport (Newcastle Airport Techno-hub). From the 1880s, Newcastle experienced rapid economic growth. Today Newcastle has the largest concentration of industry in the North-Western KwaZulu-Natal region.

There has been a 23.04% decline in the level of unemployment within Newcastle, from 87 619 (60.48%) in 2001 to 37 686 (37.44%) in 2011. In terms of unemployment by gender, the highest concentration is amongst the female population. With regards to formal employment by sector within Newcastle Municipality, trade/retail is the highest employer of the population at 8 888 as of July 2012, followed by Government services at 18 324. Government services as an employment sector is closely followed by manufacturing at 6 419, and subsequently

finance at 5 375. As of 2013 the GDP of Newcastle was recorded as occupying 80.20% of the total GDP (0.7%) generated by Amajuba District within the KwaZulu-Natal Province. In terms of the Human Development Index (HDI – the composite measure of life expectancy, education, and income used to measure human development), Newcastle is currently sitting at 0.57 which is deemed by the United Nations Development Programme as being medium human development index. The Gini Coefficient (the measure of inequalities) in Newcastle assumes a municipality working towards addressing inequalities. In the year 2002 inequality was estimated at 0.65 and in 2012 it was estimated to be 0.62 hence marking a move towards perfect equality. Regarding the levels of poverty, Newcastle has also experienced a decrease from 56.0% in 2002, 51.0% in 2006 and 44,4% in 2012. The annual income per capita of Newcastle Municipality is currently sitting at 29 264 thus meaning that the majority of individuals within Newcastle earn R2 438,66 per month hence falling above the global poverty line of \$1,25 per day based on the dollar – rand exchange rate.

POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Newcastle Municipality is a Category B Municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Structures Act, 1998. The municipality functions under the Collective Executive system, consisting of 9 members. The Mayor is elected from the Executive Committee. The Council consists of 61 councillors of which 10 are full-time councillors. Of the 67 councillors, 34 are ward elected councillors with the remaining 33 elected as proportional representation councillors. The Council has five Portfolio Standing Committees, with members of the Executive Committee serving as a Chairperson and Deputy Chairpersons. Traditional Leadership is represented on Council through Inkosi C S Kubheka and B S Hadebe.

FUNCTIONAL ANALYSIS

In order to maximise administrative and operational efficiency, all powers subject to section 32 of the Local Government: Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following:-

- ✓ Approval of an Integrated Development Plan
- ✓ Passing of by-laws
- ✓ Approval of budgets
- ✓ Imposition of rates and other taxes, levies and duties
- ✓ Raising of loans

The Speaker is also Chairperson of the whips committee.



Speaker
JCN Mkhwanazi




COUNCIL REPRESENTATION

The following table reflects the composition of Council in terms of party representation and gender representation as at the 30 June 2017 for the new Council elected in August 2016.




PARTY NAME	NUMBER	%age	MALE	%age	FEMALE	%age
ANC	40	62%	21	53%	19	47%
IFP	11	17%	7	64%	4	36%
DA	6	9%	5	83%	1	17%
EFF	5	8%	2	40%	3	60%
RLP	1	1%	1	100%	0	
AZAPO	1	1%	1	100%	0	
PRM	1	<u>1%</u>	1	<u>100%</u>	0	

PARTY NAME	NUMBER	%age	MALE	%age	FEMALE	%age
VF	1	1%	1	100%	0	
Vacancy	1	1%				

COUNCILLOR INFORMATION



Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
IFP	PR	Corporate Services Deputy Chairperson	E X C O	BAM (MS) 	Vuselwa Veronica
VFP	PR	Finance		BOSMAN 	Lourens Lemmer
AZAPO	PR	Finance		BUHALI 	Mduduzi Victor





Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
EFF	PR	Community Services		BUTHELEZI (MS) 	Sombu Bellinah
DA	2	Community Services Deputy Chairperson	E X C O	CRONJE (Ms) 	Elizabeth Johanna Cecelia
ANC	31	Corporate Services		DANISA 	Thembinkosi Johan Christopher
ANC	1	Corporate Services		DLADLA 	Xolani Nkosinathi Mike

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	26	MPAC		DLAMINI 	Bongumusa Schriener
IFP	PR	Technical Services		DUBE 	David Xolani
ANC	32	Development and Planning		GAMA (Ms) 	Fikile Phamela
EFF	PR	Corporate Services		HADEBE (Ms) 	Victoria Fikile










Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	22	Community Services		HLABISA	Thomas Sibusiso
ANC	28	Community Services		KHOZA 	Ally
ANC	7	Technical Services		KHUMALO (MS) 	Bawinile Vierah
ANC	8	Technical Services		KUBEKA 	Vukile Derick
ANC	PR	MPAC		KUNENE (MS) 	Nomathamsanqa Pealli



Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
IFP	PR	Development and Planning		LIU 	Chuan-Yi
ANC	11	Development and Planning		MAJOZI (MS) 	Nokuthula Kheslina
IFP	PR	Corporate Services		MALINGA (M) 	Fikile Angel
ANC	PR	Finance		MBATHA (Dr) 	Nompumelelo Yvonne


Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
DA	PR	Technical Services		MBULI 	Albert Mfana
ANC	13	Corporate Services Chairperson	E X C O	MDLULI (MS) 	Racheal Ncini
DA	4	MPAC		MEIRING 	Albertus Pieter
ANC	19	MPAC		MIYA (MS) 	Simphiwe Goodness

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	30	Corporate Services		MKHWANAZI (MS) 	Happiness Nosiphiwo
ANC	PR			MKHWANAZI (MS)  SPEAKER	Jabulile Cynthia Nightingale
ANC	34	Finance		MKHWANAZI (MS) 	Thabisile Princess
IFP	PR	MPAC		MLANGENI 	Mkhulu Samuel
ANC	18	Technical Services		MNGUNI (MS) 	Nomusa Grace





Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
				CHIEF WHIP	
ANC	21	Technical Services		MOLEFE (MS) 	Mildred Vangile
ANC	12	Technical Services Chairperson	E X C O	MOLELEKOA 	Reuben Moses
ANC	29	Development and Planning		MTHEMBU (MS) 	Mirriam Vangile
Indep	23			MWALI	Prince Blessing





Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	PR	Development and Planning		MZIMA (MS) 	Vuyiswa Persinia
ANC	15	Community Services		NDABA 	Thobani Mphumuzi
IFP	PR	Community Services		NDIMA 	Reginald Bhekumndeni
ANC	27	Development and Planning		NDLANGAMANE 	Stanley Sibusiso

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
DA	PR	Finance		NDLOVU 	Muziwensizwa Stanley
EFF	PR	Development and Planning		NDLOVU (MS) 	Pertunia Fundiswa
ANC	25	MPAC Chairperson		NGCOBO 	Mqapheleni Epharaim
ANC	9	Finance		NGEMA 	Bhekuyise Cyril
ANC	PR	Community Services		NGEMA (MS) 	Dudu Renete



Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	16	Technical Services		NGWENYA 	David
IFP	PR	Development and Planning		NHLAPHO (Ms) 	Christine Lahlwe
ANC	10	MPAC		NHLAPHO 	S'khumbuzo Julius
ANC	PR	Finance Chairperson	E X C O	NKOSI  Mayor	Eric Makhosini

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
PRM	PR	Technical Services		NKOSI 	Siphwe Nkosiyazi
DA	PR	Corporate Services		NKWANAZI 	Jacob Bongani
IFP	PR	Technical Services		NZUZA 	Thamsanqo Maxwell
ANC	24	MPAC		SHABANGU 	Skhumbuzo Emmanuel
ANC	3	Development and Planning Chairperson	E X C	SHUNMUGA 	Matthew

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
			O		
ANC	17	MPAC		SIBILWANE (MS) 	Deanah Maria
ANC	PR	Community Services Chairperson	E X C O	SIBIYA (MS)  DEPUTY MAYOR	Duduzile Patricia
ANC	20	Corporate Services		SIKHOSANE (MS) 	Lamlile Truelove
DA	PR	Development and Planning		STEIN 	Sthembiso Leroy

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	33	Community Services		THWALA 	Greaterman Mbongiseni Bhekithemba
ANC	5	MPAC		THWALA (MS) 	Lindiwe Goodness
EEF	PR	Technical Services Deputy Chairperson	E X C O	THWALA 	Shedrack Musanwenkosi
EFF	PR	MPAC		TWALA 	Mongezi Wellbeloved

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
IFP	PR	Finance		VORSTER	(Dr) Jacobus Adriaan
ANC	PR	Finance		YENDE (Ms) 	Samukelisiwe Anette
ANC	14	Corporate Services		ZIKHALI 	Mandla Flep
IFP	PR	Community Services		ZULU (Ms) 	Nanazi Saraphina
RLP	PR	Community Services		ZULU	Simbini Joseph

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	6	Finance		ZULU	Siphosakhe Zithulele
IFP	PR	MPAC		ZULU 	Thengi Moses
ANC	PR	Finance Deputy Chairperson	E X C O	ZWANE 	Nkosinathi Aubrey
		Traditional Leader		KUBHEKA	Cosmos Sowela
		Traditional Leader		RADEBE	Balungile Salgracia

EXECUTIVE COMMITTEE MEMBERS AND THEIR PORTFOLIOS



Speaker, ExCo and Municipal Manager

The Executive Committee consist of 9 executive councillors with the Mayor and Deputy Mayor as the Chairperson and Deputy Chairperson thereof elected in terms of Chapter 4, Part 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998).

The statutory functions of the EXECUTIVE COMMITTEE are as follows:-

- a) Reviews the performance of the municipality in order to improve:
 - i) The economy, efficiency and effectiveness of the municipality;
 - ii) The efficiency of credit control and revenue and debt collection services;And
- iii) The implementation of the municipality's by laws
- b) Monitors the management of the municipality's administration in accordance with the policy directions of the municipal council (output monitoring);
- c) Oversees the provision of services to communities in the municipality in a sustainable manner;
- d) Reports on the involvement of communities and community organizations in the affairs of the municipality;
- e) Considers recommendations on the alignment of the IDP and the budget received from the relevant councillors;
- f) Ensures that regard is given to public views and reports on the effect of consultation on the decisions of the council

- g) Makes recommendations to council regarding:
 - i) The adoption of the estimates of revenue and expenditure, as well as capital budgets and other imposition of rates and other taxes, levies and duties;
 - ii) The passing of by-laws; and policies
 - iii) The raising of loans
 - iv) Approval or amendment of IDP
 - v) Appointment and conditions of services of Municipal Manager and heads of departments
- h) Deals with any other matters referred to it by council and submits recommendations thereon for consideration by council;
- i) Attends to and deals with all matters delegated to it by council in terms of the Systems Act;
- j) Appoints a chairperson/s from the members of the Executive Committee, for any committee established by council in terms of section 80 of the Structures Act to assist the Executive Committee;
- k) Delegates to any powers and duties of the Executive Committee to any Section 80 committee;
- l) Varies or revokes any decisions taken by section 80 committee subject to vested rights;
- m) Develop strategies, programmes and services to address priority needs of the municipality through the IDP and estimates of revenue and expenditure, taking into account any applicable national and provincial plans and submits a report to, and recommendations thereon, to the council;
- n) Subject to applicable legislation, recommends or determines the best methods, including partnerships and other approaches to deliver services, programmes and projects to the maximum benefit of the community;
- o) Identifies and develop criteria in terms of which progress in the implementation of services, programmes and objectives to address the priority needs of the municipality can be evaluated, which includes key performance indicators which are specific to the municipality and common to local government in general;
- p) Manages the development of the performance management system, assigns responsibilities in this regard to the Municipal Manger and submit the proposed performance management system to council for consideration;
- q) Monitors progress against the said key performance indicators
- r) Receives and considers reports from committees in accordance with the directives as stipulated by the executive Committee;
- s) Elects a chairperson to preside at meetings if both the Mayor and Deputy Mayor are absent from a meeting in the event of there being a quorum present at such a meeting, if the Mayor failed to designate a member of executive Committee(EXCO) in writing to act as Mayor;

- t) Considers appeals from a person whose rights are effected by decision of the municipal manager in terms of delegated powers, provided that the decision reached by this committee may not retract any rights that may have accrued as a result of the original decision.
- u) Reports, in writing, to the municipal council on all decisions taken by EXCO at the next ordinary council meeting;

Portfolio committees are established in terms of S80 of Structure Act. The portfolio committees are aligned to the macro structure of the municipality as follows:

Portfolio Standing Committee: Budget and Treasury Office





Portfolio Standing Committee: Community Services

Portfolio Standing Committee: Corporate Services

Portfolio Standing Committee: Development Planning and Human Settlements

Portfolio Standing Committee: Technical Services

Each Portfolio Committee is chaired and deputy chaired by a member of EXCO as indicated in the table below:-

EXCO MEMBERS	PARTY	PORTFOLIO	DESIGNATION
Cllr M.E Nkosi –Mayor 	ANC	Finance	Chairperson
Cllr D.P Sibiya-Deputy Mayor 	ANC	Community Services	Chairperson
 Cllr V. V Bam	IFP	Corporate Services	Deputy Chairperson
Cllr B Cronje 	DA	Community Services	Deputy Chairperson

EXCO MEMBERS	PARTY	PORTFOLIO	DESIGNATION
Cllr R.N Mdluli 	ANC	Corporate Services	Chairperson
Cllr R.M Molelekoa 	ANC	Technical Services	Chairperson
Cllr M Shunmugam 	ANC	Development Planning and Human Settlement	Chairperson
Cllr Thwala 	EFF	Technical services	Deputy Chairperson
Cllr NA Zwane 	ANC	Finance	Deputy Chairperson

The responsibilities of the Portfolio Committees, in respect of their functional areas are:

- To develop and recommend strategy;
- To develop and recommend by-laws;
- to consider and make recommendations in respect of the draft budget and IDP;
- to ensure public participation in the development of policy, legislation, IDP and budget;
- to monitor the implementation of Council policies; and
- to exercise oversight on all functional areas




The Functions are to formulate recommendations for consideration by the executive committee in relation to:-

- a) policy falling within the functional area of the portfolio after consultation with the relevant Strategic Executive Director;
- b) annual business plans failing within the functional area of the portfolio; implantation of the business plans of the functional areas of the portfolio;
- c) The review of financial performance against approved budgets relating prior and current years including dealing with reports from the Auditor General;
- d) The draft budget in respect of the functional areas of the portfolio including tariffs of charges after consultation with the relevant Strategies Executive Director;
- e) Reports and recommendations submitted in respect of the functional areas of the portfolio including comment arising from its oversight function;
- f) Compliance with the legislation, norms and standards in respect of the functional areas of the portfolio;
- g) Passing or amendments of by-laws pertaining to the function of the portfolio;
- h) Prioritizing projects falling within the functional areas of the portfolio

All Portfolio Committees report to the Executive Committee. The Executive Committee may refer a matter back to the Portfolio Committee for further consideration, amend or adopt the recommendations if it has delegated authority to do so, or submit its(Executive committee) recommendations to council.

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The municipality has established a Municipal Public Accounts Committee (MPAC) to oversee the expenditure and accountability for public funds entrusted to the municipality. The structure and current membership of this committee is indicated below as proportionately represented: -

REPRESENTATIVE	PARTY
 Ngcobo Mqaphelani Ephrariam (Chairperson)	ANC
 Dlamini Bongumusa Schrier	ANC
 Kunene Nomathasanqa Pealli	ANC

REPRESENTATIVE	PARTY
 Miya Simphiwe Goodness	ANC
 Nhlapho S'khumbuzo Julius	ANC
 Shabangu Skhumbuzo Emmanuel	ANC
 Sibilwane Deenah Maria	ANC
 Thwala Lindwe Goodness	ANC
 Meiring Albertus Pieter	DA
 Mlangeni Mkhulu Samuel	IFP
 Thwala Mongezi Wellbeloved	EFF
 Zulu Thengi Moses	IFP

The terms of reference of the MPAC is being finalised in the 2017/18 financial year. In the interim the MPAC meets as scheduled to consider compliance issues as prescribed in the guidelines issued by CoGTA.

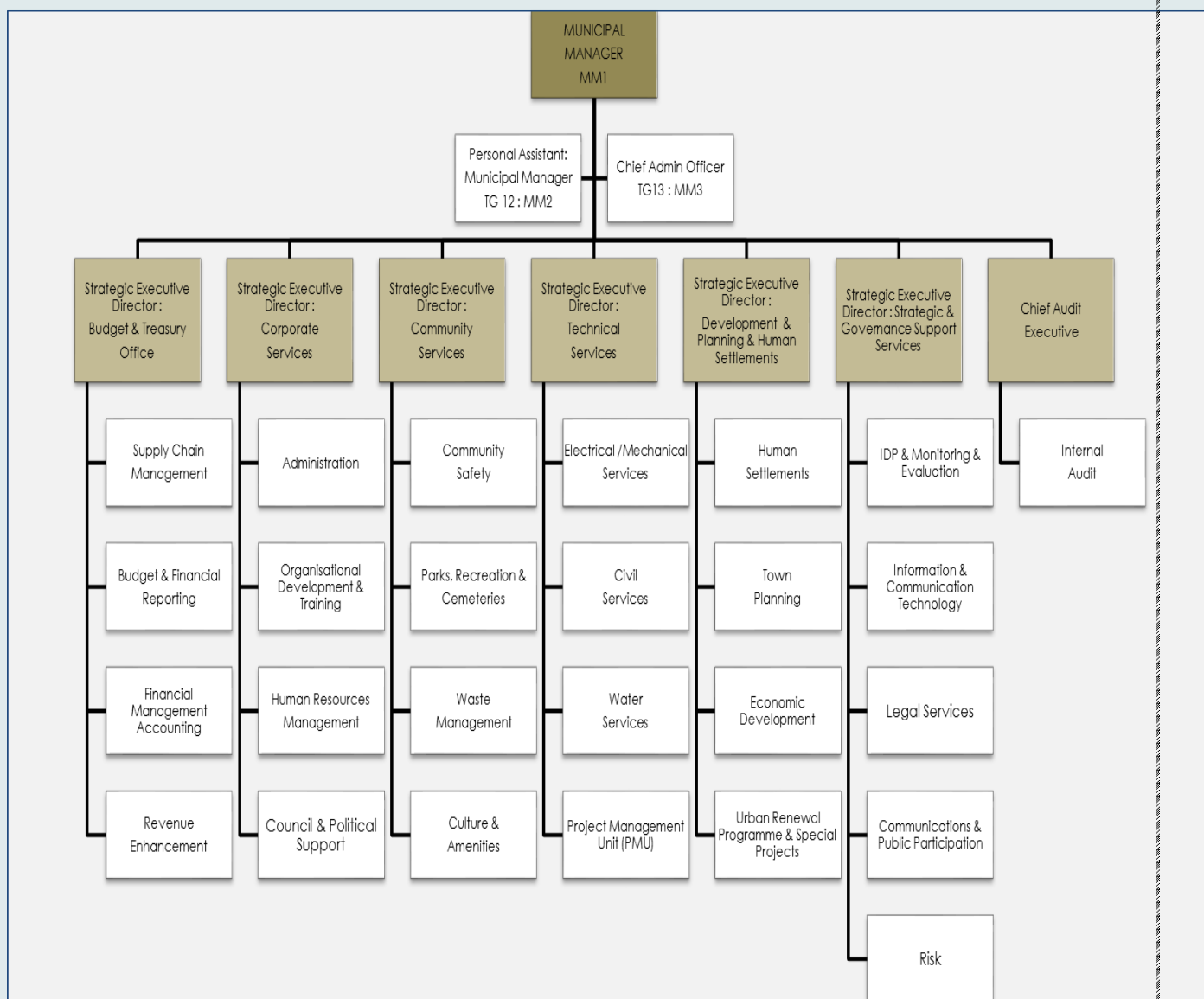
ANALYSIS OF MEETINGS

	2014/15	2015/16	2016/17	2017/18
Council meetings	11	11	6	10
Special Council meetings	5	5	7	5
Executive Committee meetings	11	11	9	11
Special ExCO	21	21	21	23
Number of reports considered by ExCO	344	344	301	339
Number of resolutions formulated	290	309	243	252
Number of recommendations to Council	54	60	69	87

Further details relating to the attendance of councillors to the relevant statutory committees is contained in Appendix 5: Council and Committee Information.

ADMINISTRATIVE GOVERNANCE

A re-engineering process commenced in August 2015, with the following structure informing the job evaluation and placement process. This process is still ongoing, with a further revision of the organogram being considered in the 2017/18 financial year.



The top management positions as per the above organogram as at the 30 June 2018 are as follows :-

Municipal Manager	Mr BE Mswane
Chief Audit Executive	Mrs S Chenia
Strategic Executive Director: Budget and Treasury	B Hlongwe
Strategic Executive Director :Technical Services	Vacant
Strategic Executive Director : Community Services	Vacant

Strategic Executive Director : Corporate Services	Vacant - Ms N Vinkhumbo (Acting)
Strategic Executive Director : Development Planning and Human Settlements	Ms N Thusi
Strategic Executive Director : Strategic and Governance Support Services	Vacant

The vacant posts were in the process of being filled as at year end, with an approved process plan being adopted by Council.

POWERS AND FUNCTIONS

The following Local Government Powers and Functions as authorised to Newcastle Municipality were separated into core and non-core functions.

Core Functions	
Schedule 4 Part B	RESPONSIBLE DEPARTMENT
Storm-water Management systems in Built up areas	Civil Services
Water and Sanitation Services	Civil Services (Reticulation) / UThukela water (Bulk)
Municipal Public Works	Civil Services
Fire Fighting Services	Community Services
Air Pollution	Community Services
Child Care facilities	Community Services
Municipal Airports	Community Services
Municipal Health Services	Community Services
Municipal Public Transport	Community Services
Building Regulations	Development Planning and Human Settlements
Municipal Planning	Development Planning and Human Settlements
Trading Regulations	Development Planning and Human Settlements
Local Tourism	Development Planning and Human Settlements
Electricity and Gas Reticulation	Electrical Services
Pontoons, ferries, jetties etc.	N/a

Schedule 5 Part B	Non-Core Functions RESPONSIBLE DEPARTMENT
Municipal Roads	Civil Services
Control of undertakings that sell liquor to the public	Community Services
Facilities for the accommodation, care and burial of animals	Community Services
Licensing of dogs	Community Services
Licensing and control of undertakings that sell food to the public	Community Services
Noise Pollution	Community Services
Pounds	Community Services
Public Places	Community Services
Control of public nuisances	Community Services
Local Sports facilities	Community Services
Municipal parks and recreation	Community Services
Cemeteries	Community Services
Cleansing	Community Services
Refuse Removal, refuse dumps and solid waste disposal	Community Services
Traffic and parking	Community Services
Billboards and the display of advertisements in public places	Development Planning and Human Settlements
Fencing and fences	Development Planning and Human Settlements
Markets	Development Planning and Human Settlements
Street Trading	Development Planning and Human Settlements

Schedule 5 Part B	Non-Core Functions RESPONSIBLE DEPARTMENT
Street lighting	Electrical Services
Beaches and Amusement Facilities	N/A
Municipal Abattoirs	N/A
Funeral parlours and crematoria	N/A

CHAPTER 3

ORGANISATIONAL DEVELOPMENT OVERVIEW

Table 1: Organizational Development Overview

DEPARTMENT	NO. OF EMPLOYEES	MALES	FEMALES
MUNICIPAL MANAGER AND MAYOR'S OFFICE	50	17	33
COMMUNITY SERVICES <ul style="list-style-type: none"> Culture & Amenities Protection / Community Services 	651	433	218
CORPORATE SERVICES <ul style="list-style-type: none"> Administration Human Resources 	68	27	41
DEVELOPMENT & PLANNING <ul style="list-style-type: none"> Town Planning Housing & Land Economic Development 	72	35	37
TECHNICAL SERVICES <ul style="list-style-type: none"> Civil Services Electrical / Mechanical Services 	398	309	89
FINANCIAL SERVICES	113	44	69
TEMPORARY/CONTRACT/PACKAGES	96	33	63
TOTAL	1448	898	550

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
TOP MANAGEMENT	2	0	0	0	1	0	1	0	4
Professionally qualified and experienced specialist and mid-management	113	5	10	10	77	1	10	16	241
Skilled technical and academically qualified	101	4	18	12	57	5	10	14	221

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
workers, junior management, supervisors, foremen, and superintendents									
Semi-skilled and discretionary decisions making	310	7	19	4	167	14	12	0	533
Unskilled and defined decision making	236	1	1	0	137	1	0	0	376
TOTAL PERMANENT	762	16	48	26	439	21	33	30	1375
Temporary employees	33	1	2	3	21	1	5	7	73
GRAND TOTAL	795	17	50	29	460	22	38	37	1448

OCCUPATIONAL LEVEL	POST LEVEL	NO. OF EMPLOYEES
Top Management	SEC 57	4 (Total of 8 Positions and 5 vacant)
Professionally qualified and experience specialist and mid-management	17 – 12	241
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11 – 9	221
Semi-skilled and discretionary decision making	8 – 7	533
Unskilled and defined decision making	6 – 5	376
TOTAL PERMANENT		1375
Temporary Employees		73
GRAND TOTAL		1448

SKILLS DEVELOPMENT

Occupational category	Female				Male				Total				
	A	C	I	W	A	C	I	W	A	C	I	W	Total
Legislators	29	0	0	2	31	0	3	4	60	0	3	6	69
Managers	17	0	4	4	26	0	3	4	43	0	7	8	58
Professionals	49	0	4	6	33	1	0	5	82	1	4	11	98
Technicians and trade workers	15	0	1	2	158	2	13	12	173	2	14	14	203
Community and personal service workers	21	0	0	0	22	0	0	0	43	0	0	0	43
Clerical and administrative workers	2	0	0	0	0	0	0	0	2	0	0	0	2
Sales workers	122	7	21	35	71	0	10	5	193	7	31	40	271
Machine operators and drives	6	0	0	0	64	1	2	0	70	1	2	0	73
Elementary workers	178	2	5	0	329	9	22	4	507	11	27	4	549
Skilled and related trade workers	53	1	8	12	90	8	15	18	143	9	23	30	205
TOTAL	492	10	43	61	824	21	68	52	1316	31	111	113	1571

CORPORATE GOVERNANCE

RISK MANAGEMENT

Newcastle Local Municipality (NLM) has taken its Risk Management processes to the next level, with the theme “Risk Management beyond compliance” whereby risk management is not only implemented just for compliance, but risk it has also been embedded in the operations of the Municipality with risk bearing capacity, risk appetite and risk tolerance levels in mind, most particularly with financial management. Risk Management is seen as one of the pillars and cornerstones of good corporate governance, it is also seen as essential for the achievement of the organizational goals and objectives. Risk Management plays a crucial role in identifying both risks and opportunities that are present and to take a strategic position in minimizing the identified risks and maximizing present opportunities for the benefit of the Municipality and its community. The role of the Risk Management in the municipality is to provide the expertise and support for institutionalizing Enterprise Risk Management, thereby embedding a risk intelligent culture. This has been achieved through various methods including employee training on the principles and practices of risk management, coordinating efforts in determining the municipality’s risk exposure and in the development of mitigating actions by management for addressing the identified risks, furthermore, risk champions have been appointed from all departments of the Municipality

The embedding of risk management processes in the Municipality has improved in recent years. The Strategic, operational, and fraud risk assessments are conducted at least once a year, while the treatment of risk response and treatment actions are monitored monthly by management and at least quarterly by the audit committee to closely observe and respond to key risk movements that may impact on the Municipality priorities. During 2017/18 financial year, the Municipality had the Risk Committee in place to enhance the effectiveness of risk management processes. To this end, all risks that may prevent the NLM from achieving its business objectives are proactively identified on a continuous basis and formally assessed at least once per annum towards ensuring the achievement of these objectives. These risks are managed proactively through a factual approach to decision-making, based on the logical

and intuitive analysis of data and information collected about those risks and the planning, arranging, and controlling of activities and resources to minimize the impact of all risks to levels that can be tolerated by the municipality and other stakeholders. A centralized co-ordination of ERM processes includes risk assessment workshops, regular awareness programmes, emerging risks identification, risk monitoring, independent verification of the status of internal controls, and reporting.

FRAUD AND CORRUPTION

Newcastle Municipality has reaffirmed its position on the fight against fraud and corruption, it committed to its “ZERO-TOLERANCE STANCE” against fraud and corruption as an endeavor to instill a culture of honesty, integrity, as well as good morals and ethics to its employees, political leadership and external stakeholders who do business with the Municipality. The risk of fraud and corruption forms part of the Municipality’s top 15 high risks in the risk register of the Municipality. The Municipality has implemented its anti-corruption strategy and fraud prevention plan which include a broad-range of anti-corruption measures including the whistle-blowing policy, a toll-free National Anti-corruption hotline- 24hr service: **0800 701 701**, as well as fraud awareness workshops.

Newcastle Local Municipality (NLM) has Anti-Fraud and corruption Policy in place, the objective of this policy is to foster a corrupt-free environment, as well as the climate within the Municipality where all employees strive for the eradication of fraud, corruption, theft and maladministration. This policy further re-affirms the zero-tolerance against fraud and corruption within the Municipality, as well as to reinforce the existing rules and regulations aimed at preventing, combatting, reacting to, and reducing the impact of fraud, corruption, theft and maladministration where these malpractices subsist.

The following are some of the Mechanisms in place to prevent, combat, detect and react to fraud and corruption:-

- Anti-Fraud and Corruption policy
- Anti-corruption strategy and fraud prevention plan
- Fraud risk assessment,
- Fraud risk management plan,
- Supply chain Management policy
- Ethics policy

The Municipality investigates allegations of fraud and corruption whenever these allegations are reported to management, executive, council and audit committee. The Audit committee and Municipal public accounts committee both play a crucial role in terms of ensuring that actions are taken against those found guilty of fraud and corruption.

AUDIT COMMITTEE

The audit committee performed its oversight responsibilities in terms of section 165 of the MFMA. There were 6 audit committee meetings held during the year. The chairperson submitted 3 audit committee reports to Council. The contract of the audit committee members ended in December 2018 and a new audit committee was established.

The audit committee is chaired by Mr. T. Radebe and the following are members of the committee:

Name	Designation
Themba Lucky Radebe	Audit committee chairperson
Tshimomola Rabelani	Audit committee member
Zanele Nkosi	Audit committee member
Yaasir Haffejee	Audit committee member
Simangele Ngcobo	Audit committee member

The Audit Committee report is covered under Chapter 7.

PUBLIC PARTICIPATION

The functional public participation structures of the municipality are:

- ✓ IDP Representative Forum
- ✓ Planning Co-ordination committee
- ✓ AFLED and Sub-structure (Agriculture, Tourism, Industry)
- ✓ ICT Co-ordination Forum
- ✓ GIS Co-ordination Forum
- ✓ District wide Sector Plans
- ✓ Traditional Leaders
- ✓ Landowners – JBC Steering Committee
- ✓ Ward Committee Structures - 34 wards
- ✓ Transport Forum
- ✓ Civic Structures
- ✓ District Public Participation Forum

Annual Speakers Constituency meetings chaired by the Speaker serve as the informative platform which reaches the grass-root level as they are held per ward level and VD's.

Annual mass road-shows by ward is also a tradition of the municipality, allowing the Mayor to interact with the community to allow for input on the Budget/IDP/PMS.

WARD COMMITTEE STRUCTURES

The ward committee structure is guided by 2 (two) policy documents, namely: Ward Committee Establishment and Operational Policy and the Ward Committee Operational Plan.

- In the year 2016, 340 ward committee members were elected (10 per ward for 34 Wards) and subsequently inaugurated in February 2017.
- The ward committee structure is as follows: There are ten (10) ward members per ward with a ward Councillor as the 11th member and leader of the structure.
- Each ward committee selects a secretary to assist the committee with admin who also gets to sit on the Secretaries Forum monthly, for the purpose of receiving administrative support with public participation.
- Furthermore, the rest of the ward members are part of numerous Portfolio Committees namely; Infrastructure and Services, Local Economic Development and Social Development. This serves to assist the ward members with interacting with relevant departments on service delivery issues.

- The Chairpersons Forum which consists of the ward Councilors also sits on a quarterly basis to provide ward functionality assessment feedback and the state of Public Participation within the Newcastle Municipality's jurisdiction.
- As the municipality consists of four (4) zones: Madadeni, Osizweni, Blaaubosch and Newcastle, Zonal meetings are held twice a year to continuously workshop the whole structure.
- In addition to the zonal meetings, an annual conference is held yearly for and by the ward committees.

Table 2: Programs undertaken since 2017 as Administrative Support to the Functionality of Ward Committees

PROGRAMME	INTENDED OUTCOME	YEAR
Portfolio allocations.	To align Ward Committee duties to the IDP Key Performance Areas (KPA).	2017
Secretaries Training.	To train Secretaries on Ward Administration and Minute Taking.	2017
Ward Committee Induction Training.	To induct Ward Committee Members on their duties and Municipal Core Processes.	2017
Meetings Standard Agenda Introduction.	To assist Ward Committees with Standardized Agendas for Ward Committee and Public Meetings.	2017
WBP development Training.	To introduce and developed Ward Base Planning Approach to all 34 wards.	2017
Annual meeting.	A one day Educational Gathering aimed at discussing topics for Strengthening the Functionality of the Ward Committees.	2017
Ward Committee Operational Plan Induction.	An induction training which was aimed at Workshoping Committee Members on the newly developed Ward Committee Operational Plan was coordinated in 2017.	2017
Individual wards visit undertaken.	To introduce to Ward Committee Members into an Individual and Collective Reporting Format, which is aimed at effectiveness of the Ward Committees.	2017

Measurement of performance in terms of Key Performance Indicators:

Table 3: Measurement of Performance in terms of key performance indicators

Number of ward committee meetings held.	1 per month.
Number of meetings chaired by the Councilor.	1 per month.
Percentage of attendance.	50 plus 1.
Number of community meetings held.	1 per quarter
Number of Sectoral Reports.	10 per month.
Number of Ward Reports submitted to the Municipality.	1 per quarter.

A detailed report on ward committee functionality is included as follows:-

The assessment for the functionality of the Newcastle municipality ward committees was undertaken from the beginning of the third quarter (January – March 2017), Fourth quarter (April - June 2017) and the first quarter of 2017/18 financial year (July - September 2017) (January- March 2018) (April- June 2018) This was introduced as a measure to help improve ward committee functionality by ensuring that members are active and able to effectively support ward councilors to serve the community. In light of the above, it is important to mention that the rating and score is determined by the submissions that were brought to the offices of the Public Participation Unit by the secretaries of the ward committee as per the agreement; *'that it should be submitted by the 7th day of each month'*.

WARD COMMITTEE FUNCTIONALITY RESULTS as at 30 JUNE 2018

TOTAL NO OF WARDS	NO OF FUNCTIONAL WARDS	FUNCTIONAL WARDS	% OF FUNCTIONAL WARDS	COMMENTS
34	26	1, 2, 3, 5, 6, 7, 8, 9, 14, 15, 17, 18, 19, 20, 21, 22,	76,5%	Ward 4, 10, 11, 12, 13, 16, 23 & 29– Non-functional on various

		24, 25, 26, 27, 28, 30, 31, 32, 33 & 34		reasons but mostly due no evidence presented on community meetings.
COMMUNITY FEEDBACK MEETINGS				
TOTAL NO OF WARDS	NO OF COMMUNITY MEETINGS	WARDS WITH COMMUNITY MEETINGS	% WARDS WHERE COMM MEETINGS WERE HELD	WARDS WITHOUT COMMUNITY MEETINGS
34	52	1, 2, 3, 5, 6, 7, 8, 9, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33 & 34	79,4%	4, 10, 11, 12, 13, 16 & 29

‘THE STATUS QUO ANALYSIS OF ALL THE 34 WARDS OF THE NEWCASTLE MUNICIPALITY.

Following is an analysis and status of each ward emanating from observation from the office of the speaker based on daily engagement with wards including meetings with secretaries and also ward committee members including chairpersons. This is part of administrative support as per stipulation of the Newcastle municipality ward committee Policy.

WARD	COUNCILOR	STATUS OF WARD
1	Cllr Dladla XNM	<ul style="list-style-type: none"> Ward committee Monthly meetings are held regularly Public meetings are held quarterly There were some tension at first due to lack of understanding of roles and function of ward committees and the Speakers intervention has yielded some positive results. Currently there is good cooperation in the ward committee Ward has been visited to workshop members on portfolio and sectoral reports. There has been numerous protests within the ward, but the situation has been handled accordingly.

2	Clr Cronje EJC	<ul style="list-style-type: none"> • Ward Committee meetings are not held accordingly • No Public meetings • Challenge with venue for a meeting a request has been made to the relevant department • Lack of commitment from committee members • 13 June 2017 Speakers office visited the committee and no quorum to continue with the meeting. • It is suggested that termination of membership of those members who do not attend meetings is an option for council as per policy guideline. • The stipend for 8 committee members was suspended since they do not attend meetings as per the policy also do not submit monthly sectoral reports • The committee is dysfunctional
3	Clr Shunmugam M	<ul style="list-style-type: none"> • The ward committee is functional • Public meetings are held accordingly. • One resignation and vacancy has been filled
4	Clr Meiring AP	<ul style="list-style-type: none"> • Monthly meetings held as scheduled but poor attendance has been observed. • Slight improvement on reports • Public meetings are held with poor attendance c being registered. • Lack of commitment from some of committee members
5	Clr Khoza LG	<ul style="list-style-type: none"> • Ward committee Monthly meetings are held monthly • Public meetings are held quarterly • The ward is functionally

		<ul style="list-style-type: none"> 3 vacancies have been filled. Two vacancies has been declared.it will be filled soon Office of the Speaker has visited the ward committee to workshop them on report writing
6	CLlr Zulu SZ	<ul style="list-style-type: none"> Ward committee is functional Public meeting are held accordingly There were some tension at first due to lack of understanding of roles and function of ward committees and the Speakers intervention has yielded some positive results. Ward was visited to workshop members on Portfolio and report writing
7	CLlr Khumalo BV	<ul style="list-style-type: none"> Ward committee is functional Public meeting are held accordingly Ward monthly meetings are held according to plans Political bickering between the chairperson and some ward committee has been hindering the community work. The secretary and the ward Councilor do not communicate well hence there is no coordination of the committee Political tension due to ward committee members who are political activist has affected the daily functions of this ward. The Office of the Speaker has intervened to address the challenges
8	CLlr Kubheka VD	<ul style="list-style-type: none"> Ward committee Monthly meetings are held regularly Public meetings are also held quarterly The ward is functionally
		<ul style="list-style-type: none"> Public meetings are held quarterly

9	CLlr Ngema BC	<ul style="list-style-type: none"> Ward committee meetings are held monthly The ward committee is functional Two resignations and the by-election will be held soon
10	CLlr Nhlapho SJ	<ul style="list-style-type: none"> Ward committee meetings are held monthly Public Meetings are held quarterly The ward is functional
11	CLlr Majozi NK	<ul style="list-style-type: none"> Ward committee meetings are held monthly Public Meetings are held quarterly The ward committee is functional Monthly reports are submitted. Meetings are held according to schedule. Members cooperative and involved in activities in the ward. Good team-work between members and the ward Councilor. Minor challenge has been reported with one committee member conflicting with other members and ward councillor. The Speakers office has attended to it
12	CLlr Molelekoa RM	<ul style="list-style-type: none"> Ward committee meetings are held regularly Public meetings are held accordingly We have one ward committee member who does not submit reports for the past months One member stipend was suspended as he doesn't attend meetings nor submitting monthly individual report. Ward committee is functional
13	CLlr Mdluli RN	<ul style="list-style-type: none"> Ward committee meeting are held accordingly. Ward public meeting was held in this quarter Ward committee is functional

14	CLlr Zikhali MF	<ul style="list-style-type: none"> Ward committee meetings are held monthly Public Meetings are held quarterly There were some tension because of committee member's lack of understanding of their roles. Vacancy has been filled after resignation of ward committee member
15	CLlr Ndaba TM	<ul style="list-style-type: none"> The ward is functional There was an intervention and secretary was changed Public meetings are held accordingly Ward committee is functional
16	CLlr Ngwenya D	<ul style="list-style-type: none"> Challenge on Ward committee meetings Public meeting are held accordingly There has been numerous protests within the ward, but the situation has been handled accordingly. One resigned but the vacancy has been filled Ward committee is functional, with only two committee members who doesn't attend committee meetings Tension between councilor and two committee members was reported The Office of the Speaker has attended to workshop the committee and positive result has been reported
17	CLlr Sibilwane DM	<ul style="list-style-type: none"> Ward committee meetings were held monthly No Public Meetings are held regular Late submission reports has resulted in suspension of stipen Office of the speaker has attended the committee to provide training on report writing and committee procedures. Currently the committee is functional.

18	CLlr Mnguni NG	<ul style="list-style-type: none"> • Ward committee meetings were held monthly • Public Meetings were held quarterly • The ward is functional • One deceased and the vacancy has been filled
19	CLlr Miya SG	<ul style="list-style-type: none"> • Ward committee meeting are held accordingly • Public meetings are held • We have two ward committee members who do not submit reports for the past months • Ward committee is functional
20	CLlr Sikhosane LT	<ul style="list-style-type: none"> • Ward committee meetings are held accordingly • Public meetings are held • Ward committee is functional
21	CLlr Molefe MV	<ul style="list-style-type: none"> • Ward committee meetings are held monthly • Public Meetings held • Ward committee is functional
22	CLlr Hlabisa TS	<ul style="list-style-type: none"> • Ward committee is functional • Public meetings are held accordingly • Ward committee monthly meetings are held regular
23	CLlr Mwali B	<ul style="list-style-type: none"> • Monthly ward committee meetings held without the councillor • Reports: reports are submitted from portfolio and individual members. • No proper cooperation between the ward Chairperson and all committee members.

		<ul style="list-style-type: none"> • This committee can be described as nonfunctional on the basis of the fact that no meetings are held regular as required. • Intervention has been made by the office of the Public Participation Unit and the Speaker. • Political bickering is continuing and it is hindering the functionality of the committee. • No Ward public meetings were held • Only one Ward committees meeting was held but it was convened by the office of the Speaker
24	Cllr Shabangu SE	<ul style="list-style-type: none"> • Public meetings are held monthly • Ward committee meetings are held regularly • The ward is performing very well • Three resignations were submitted but now they are all filed
25	Cllr Ngcobo ME	<ul style="list-style-type: none"> • ward committee meetings held in this quarter • public meeting held in this Quarter • Ward is performing well
26	Cllr Dlamini BS	<ul style="list-style-type: none"> • Ward committee meetings are monthly • Public Meeting are held accordingly • The ward is functional
27	Cllr Ndlangamandla SS	<ul style="list-style-type: none"> • Ward committee meetings are held monthly • Public Meeting are held accordingly • The ward is functional • The committee members submit their monthly reports
28	Cllr Khoza A	<ul style="list-style-type: none"> • Public meetings are held regularly • Ward committee meetings are not held accordingly • The ward committee is poorly functional

29	Cllr Mthembu MV	<ul style="list-style-type: none"> Ward committee meetings are held regularly Public meetings are not held accordingly The ward committee is functional
30	Cllr Mkhwanazi HN	<ul style="list-style-type: none"> Ward committee meetings are held regularly Public meetings are held Ward committee is functional There has been numerous protests within the ward, but the situation has been handled accordingly.
31	Cllr Danisa TJC	<ul style="list-style-type: none"> Ward committee meetings were held monthly Public Meeting are held quarterly The ward is functional Challenges were reported, the behavior of one committee member has been a problem but now the ward is stable. The Speakers office has intervene by providing a training to committee members
32	Cllr Gama FP	<ul style="list-style-type: none"> Ward committee meetings were held monthly Public meetings are held accordingly The ward committee is functional A challenge has been reported ,one committee member behavior has been disruptive to the committee Speaker's office has intervene. Training was provided to the committee
33	Thwala G	<ul style="list-style-type: none"> Public Meeting are held quarterly Ward committee meetings are held monthly Ward committee is functional Team-work: There is good cooperation between the ward committee members and the Chairperson

34	Mkhwanazi TP	<ul style="list-style-type: none"> • Ward committee meetings are held accordingly • Public meetings are held accordingly • Ward committee is functional although there are few and minor challenges with some committee members not understanding their roles.
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Speaker's Meetings

Constituency Meetings	We had 55 constituency meetings which were held from the 24 th August 2017 to the 22 nd October 2017. The aim was to report back to the community on service delivery. A number of issues were raised but the Office managed to speed up those issues. This has also assisted the IDP Budget for 2018/2019.
Ward Councilor's Quarterly Meetings	These meetings are held to assist the ward councilors if there are challenges in their wards for the Speakers intervention.
Ward Secretaries Forum	These meetings are held monthly to also submit reports as well challenges that can cause the dis-functionality which can lead to non- functionality of the ward
Annual ward committee meetings	These meetings are done to give an annual state of functional of the ward committees and to address challenges which may be for seen in the wards.

INTERVENTION STRATEGIES.

Table 5: Ward Committee Annual Conference Recommendations that have necessitated the following Intervention Action Plans.

ACTIVITY	DESIRED OUTCOME	RESPONSIBILITIES
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Quarterly meetings with ward Councilors.	To address ward challenges encountered.	Office of the Speakers
Ward committee Operational Plan Development.	To improve ward committee functionality by ensuring that members are active and able to support ward Councilors. This will be done by developing a tool to measure the performance of ward committees, individually and collectively.	Office of the Speaker
Monthly secretaries meetings.	To submit ward monthly reports and minutes which form part of the measurement for ward committee's performance.	Office of the Speaker
Portfolio committee meetings.	To get feedback from various Municipal Departments.	Office of the Speaker
Annual meetings.	To discuss and deliberate on annual reports from all 34 wards which entails sharing challenges and successes.	Office of the Speaker
Constituency meetings.	Ward Committee Report back to community.	Office of the Speaker
Capacity Building Workshops.	To equip ward committees with Ward Governance, Leadership Skills, Conflict Management and Project Management trainings. Furthermore, to train committee members on Core Municipal Services (IDP, Budget, MS , LED & Service Delivery	Office of the Speaker

INTERNAL AUDIT

OVERVIEW

Internal audit is established in terms of section 165 of the MFMA. Internal audit is an independent, objective assurance and consulting activity designed to add value and improved the organisations operations. For the 2017/2018 financial year internal audit reported to audit committee quarterly and fulfilled its responsibilities as per section 165 of the MFMA.

Table 4: OVERVIEW

Internal Audit	<ul style="list-style-type: none">➤ Organogram➤ CAE➤ 3 managers➤ 1 senior➤ 2 auditors➤ 3 junior auditors <ul style="list-style-type: none">➤ The mission of the Internal Audit Activity is to provide independent, objective assurance and consulting service designed to add value and improve the organization's operations.➤ The scope of work of the Internal Audit Activity is to determine whether Newcastle Local Municipality's network of risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:<ul style="list-style-type: none">➤ that risks are appropriately identified and managed;➤ that interaction with the various governance groups occurs as needed;➤ that significant financial, managerial, and operating information is accurate, reliable, and timely;
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	<ul style="list-style-type: none"> ➤ that employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; ➤ that resources are acquired economically, used efficiently, and adequately protected; ➤ that programs, plans, and objectives are achieved; ➤ that quality and continuous improvement are fostered in Newcastle Local Municipality control process; and ➤ That significant legislative or regulatory issues impacting Newcastle Local Municipality are recognized and addressed appropriately. ➤ Evaluate and report on Performance Management.
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INTERNAL AUDIT PERFORMANCE HIGHLIGHTS

- Improved audit outcome. Unqualified audit.
- Completion of audits as per the internal audit plan approved by the audit committee
- Audit committee meeting held every quarter.
- Follow up audits conducted.
- All staff attended training courses by the IIA and are therefore kept updated.
- Audit committee chairperson reporting to council.
- Internal audit follow up on AG audit findings.
- Audit committee resolutions implemented.
- Internal audit report format enhanced to be more useful to management.
- Internal audit findings discussed at audit steering committee meetings.

Table 5: CHALLENGES

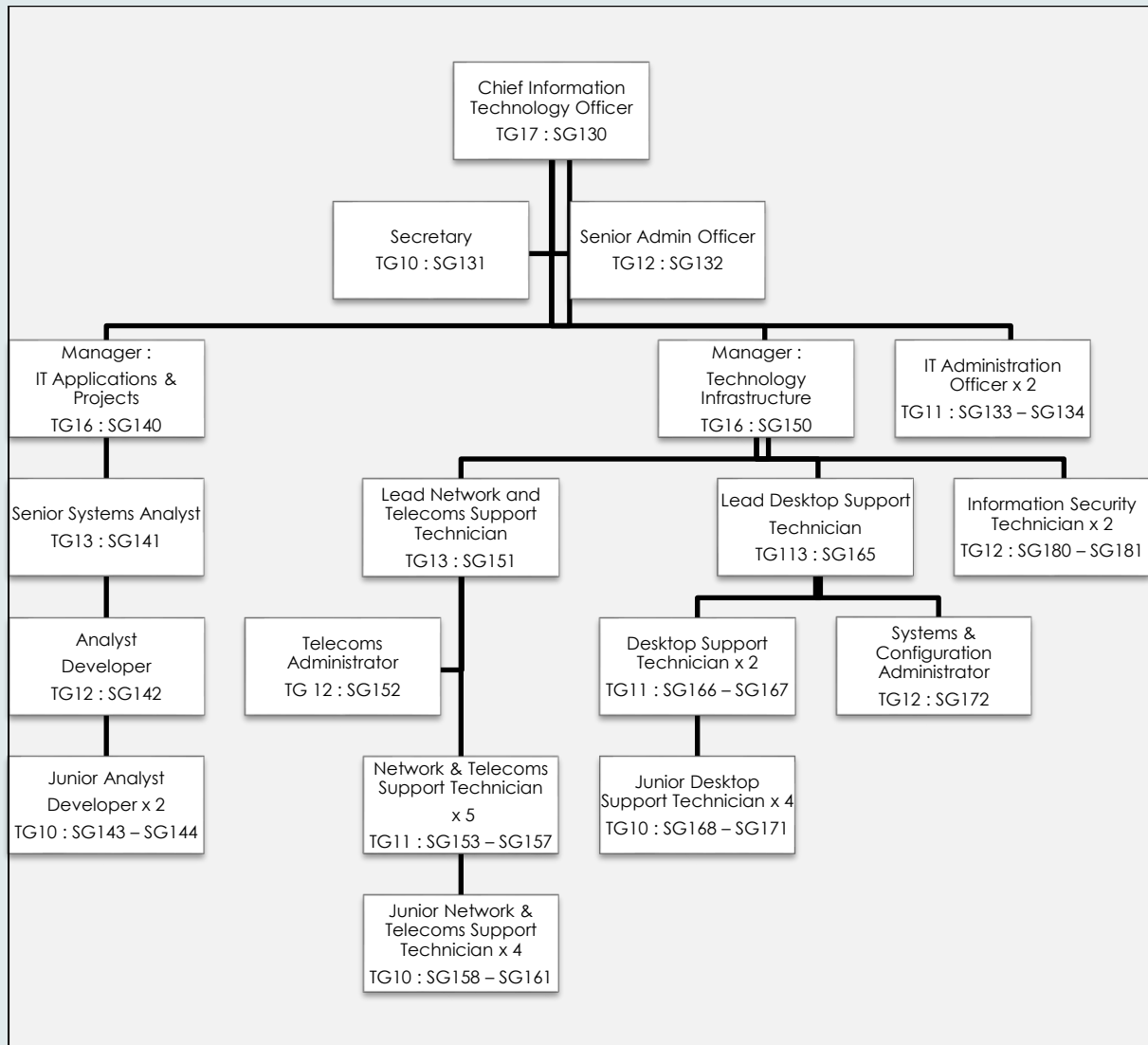
PROJECT OR AREA	CHALLENGE	INTERVENTION
	<ul style="list-style-type: none"> ➤ Vacancies in internal audit positions. ➤ No dedicated team responsible for performance information audits 	<ul style="list-style-type: none"> ➤ Internal audit positions to be budgeted for once the moratorium on the filling of vacancies is lifted.

	<p>and Information Technology</p> <ul style="list-style-type: none"> ➤ Audits conducted manually. <p>Computerized audit system is to be procured.</p>	<ul style="list-style-type: none"> ➤ A computerised system for auditing to be budgeted for.
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INTERNAL AUDIT PERFORMANCE HIGHLIGHTS

PROJECT OR AREA	CHALLENGE	Effectiveness of Internal audit
Internal audit	<ol style="list-style-type: none"> 1. Manual system for auditing impacts on audit efficiency. 2. Management slow progress in addressing internal audit findings. 3. Limited staff- all risk areas cannot be audited. 	<ol style="list-style-type: none"> 1. Independent- reports to audit committee. 2. All internal audits completed in accordance with internal audit plan and reported to audit committee. 3. Internal audit unit has a mix of skills. 4. All internal audit staff are members of the IIA. 5. All internal audit staff are trained annually.

INFORMATION TECHNOLOGY



PERFORMANCE HIGHLIGHTS

Please list performance highlights. Photos if submitted must be captioned.

1. Completion of the MPLS network infrastructure project throughout Newcastle municipality sites
2. Implementing of the VOIP telephone system throughout Newcastle Municipality sites

3. Continuation of the network infrastructure and telephone installation throughout the Newcastle municipality sites especially the sites that were occupied by NICS
4. Integrating all Waste Water plan to our MPLS network

ADHOC DELIVERABLES NOT COVERED IN SDBIP

New standardization of computers and laptops to HP brand from Dell, adhering to the municipality financial constraints.

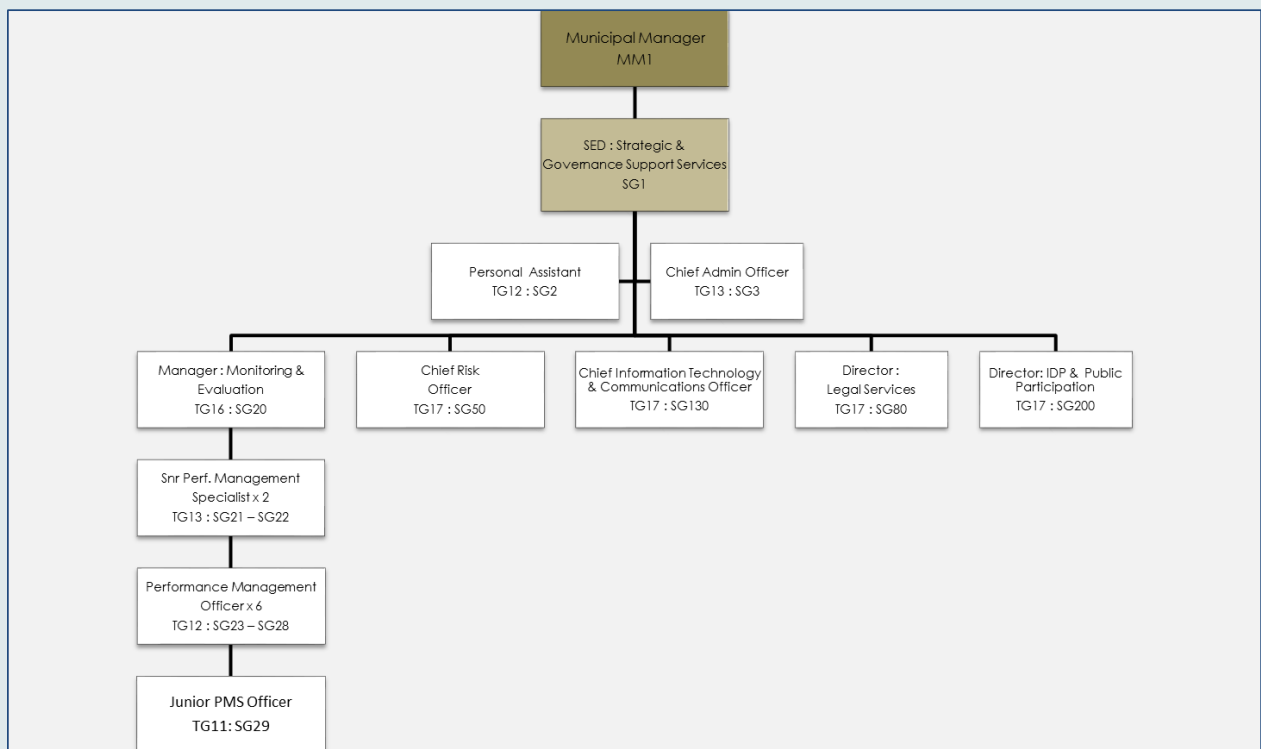
INNOVATIVE SERVICE DELIVERY ACHIEVEMENTS TOWARDS MUNICIPAL EXCELLENCE

Implementation of the MSCOA project to comply with the national treasury standards

SERVICE DELIVERY CHALLENGES EXPERIENCED AND INTERVENTIONS IMPLEMENTED TO RESOLVE THESE CHALLENGES

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
Limited budget for procuring IT tools of trade	Reassign returned useable computers and other computer peripheral to other users
Limited licenses on Mail exchange and Active Directory	Limit the creation of users to mainly officials and some Interns with the required and unavoidable computer functions
Limited budget for off-site backup and disaster recovery testing	Procure more hard drives to create more space on the restoration server
Limited staff capacity	Sharing of functions and intern assistance in some other areas after being trained

MONITORING AND EVALUATION



FUNCTIONAL AREAS

- 📄 Monitoring and evaluation of Section 56/57 Employees
- 📄 Quarterly Monitoring and evaluation of the Service Delivery Budget Implementation Plans (SDBIP)
- 📄 Monthly monitoring and evaluation of the Capital Status
- 📄 Quarterly reports and monthly reports on performance to Exco, Mpac, Audit committee, COGTA and Auditor General
- 📄 Compilation and submission of the Annual Report and Oversight report
- 📄 coordination of the Municipal Excellence Awards
- 📄 New Interns

PERFORMANCE HIGHLIGHTS COMPLIANCE WITH ALL PMS REPORTING REQUIREMENTS

- Review of PMS Framework
- Development of Framework for Monitoring Entities
- Tabling and submission of Annual Report 2016/17
- Tabling and submission of the Annual Performance Report 2016/17
- Tabling and Submission of the Oversight Report 2016/17

- Development of PMS internal controls
- One on one support to departments to reduce risk of qualification on PMS by AG
- Back to basics reporting
- Development of 5 year PMS for new terms of Council as part of 4th generation IDP
- Development of PMS Standard Operating Procedures
- Support to review 4th Generation IDP
-

INNOVATIVE SERVICE DELIVERY ACHIEVEMENTS TOWARDS MUNICIPAL EXCELLENCE

- Development and implementation of PMS Checklist
- Development of PIP's to improve monitoring of Capital programme

SERVICE DELIVERY CHALLENGES EXPERIENCED AND INTERVENTIONS IMPLEMENTED TO RESOLVE THESE CHALLENGES

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
No budget for Training	On the job training, knowledge sharing with other municipalities
AG Findings	Action plans to address findings impacting on reliability of APR
No automated PMS	Request for funding
Filling of critical positions	Await roll out of organisational HR Strategy

CHAPTER 4

STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	9	12 462 150	15 223 528
Other financial assets	8	3 621	5 791
Receivables from exchange transactions	10	64 591 613	40 287 673
Receivables from non-exchange transactions	11	13 287 220	12 116 267
Consumer debtors from exchange transactions	12	399 431 715	368 651 699
Consumer debtors from non-exchange transactions	12	84 258 496	76 203 369
Cash and cash equivalents	13	57 464 870	50 507 758
		631 499 685	562 996 085
Non-Current Assets			
Investment property	3	379 606 000	365 022 000
Property, plant and equipment	4	6 740 721 091	7 044 454 625
Intangible assets	5	5 585 264	8 686 539
Heritage assets	6	7 468 510	6 991 102
Investments in associates	7	275 279 106	301 163 242
		7 408 659 971	7 726 317 508
Total Assets		8 040 159 656	8 289 313 593
Liabilities			
Current Liabilities			
Other financial liabilities	16	29 483 981	32 002 485
Finance lease obligation	14	233 511	168 853
Payables from exchange transactions	19	645 662 370	451 522 945
VAT payable	20	1 775 605	2 390 525
Consumer deposits	21	18 966 524	14 334 239
Unspent conditional grants and receipts	15	56 316 815	41 556 011
Defined Benefit Plan	17	7 997 613	6 215 831
Provision for Rehabilitation of Landfill site	18	31 292 755	-
		791 729 174	548 190 889
Non-Current Liabilities			
Other financial liabilities	16	402 570 627	447 215 530
Finance lease obligation	14	24 309	234 909
Defined Benefit Plan	17	145 207 202	128 168 731
Provision for Rehabilitation of Landfill site	18	-	31 217 649
		547 802 138	606 836 819
Total Liabilities		1 339 531 312	1 155 027 708
Net Assets		6 700 628 344	7 134 285 885
Reserves			
Housing Development fund		26 076 953	25 071 001
Self insurance reserve		472 159	530 020
Accumulated surplus		6 674 079 215	7 108 684 869
Total Net Assets		6 700 628 327	7 134 285 890

Detailed Audited Annual Financial Statements is included as Appendix 1

OTHER FINANCIAL MATTERS

FINANCIAL ANALYSIS AS AT 30 JUNE 2018




1. Introduction

This analytical review of the Newcastle Municipality is based on the analysis of annual financial statements as are presented in the Annual Reports of the Municipality for the last three financial years being 2015/16, 2016/17 and 2017/18. These Financial Statements were audited by the Auditor-General and audited opinions thereon were expressed accordingly. Where considered important and relevant, the analysis will also refer to the 2014/15 financial year.

The report highlights the municipal financial policies, audit results for the years under review, as well as the indication of whether there has been improvement or regression as at the end of 2018. Areas of concern by the Office of the Auditor General, which should be addressed by management during 2018/19 financial year will also be highlighted as emphasis of matter. At length, the report will cover the significant results of the municipality's financial performance, financial position and cash-flows during the period under review. Prior to concluding, the report will discuss and give clarification of some of the key financial ratios with a view to demonstrate the financial health of the municipality.

2. Financial Policies

The financial management of the municipality is guided by the following adopted financial policies, which are crafted and updated in cognisance with relevant legislation and prescripts.

-  Asset Management Policy
-  Cash Management & Investment Policy
-  Credit Control Policy
-  Supply Chain Management Policy

- ☞ Municipal Property Rates Policy
- ☞ Credit Control, Debt Collection and Customer Care Policy
- ☞ Tariff Policy
- ☞ Rates Policy
- ☞ Debt Write-off Policy
- ☞ Indigent Policy
- ☞ Budget Policy
- ☞ Virement Policy
- ☞ Borrowing Policy
- ☞ Funding and Reserves Policy
- ☞ Petty Cash Policy

3. Audit results

The audit results of the financial statements of Newcastle Municipality for the past four years may be summarised as follows:

Table 1: Audit results

Year	Audit opinion	Basis for qualification
2018	Unqualified with emphasis of matters	N/A
2017	Unqualified with emphasis of matters	N/A
2016	Unqualified with emphasis of matters	N/A
2015	Qualified	Infrastructure assets with no supporting documents

2014	Qualified	Leave provision, Work in Progress and Infrastructure Assets
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The above audit outcomes as issued by the Auditor General clearly indicate that the municipality has improved maintained its audit outcomes over the past three years, which by far in improvement since 2014/15 financial year. It must me mentioned that, prior to 2015/16, the municipaliy received qualified audit opinion for seven consecutive year. Areas of asset management, leave provision and the main areas that resulted in the qualification. The municipality has since implemented controls on these areas, which resulted in the improved audit outcomes. The municipality has worked hard to establish and implement internal controls and reporting in order to ensure that the municipality delivers on its priorities in an effective, efficient and economical manner. This resulted in the municipality producing quality and credible financial statements, performance reports, and also comply with the Municipal Finance Management Act and other relevant prescripts. Management has been able to resolves other matters by honouring commitments made in addressing issues through the Management Action Plan to AG report.

3.1 Emphasis of matters relating to financial management

It his audit report for the year ended 30 June 2018, the Audit General:

- The corresponding figures 30 June 2017 were restated as a result of an error in the annual financial statement of the municipality, and for the year ended 30 June 2018;
- Various legal claims were lodged against the municipality. The ultimate outcome of these claims were not determinable at year-end, hence the financial statement did not include any liabilities that could have resulted from them;
- Material losses of R177.9 million (2016/17: R69.5 million) was incurred as a result of an impairment of consumer debtors;
- Material losses of R45.40 million (2016/17: R31.9 million) was incurred, which represents 48.9% (2016/17: 44.2%) of the total water purchased. Losses incurred were due to leaks, burst pipes, illegal connections, meter inaccuracies and errors in manual reading and capturing of readings from meters.

The municipality will need to closely look at the above matters during the 2018/19 financial year in order to improve its administration and a more credible reporting.

4. Financial Performance

The analysis of financial performance covers three sections, namely revenue, expenditure and the net operating results. Each of these sections is discussed below.

4.1 Revenue

The revenue base of the Municipality increased from R 1 750 465 676 in 2017 to R1 817 350 775 in the financial year ended 30 June 2018. This represents a growth of 4% in revenue. There has been a significant increase in the municipal revenue over the three years under review. The major increase has been on the following revenue categories: Service charges, government grants and property rates. The increases are due to the annual tariff increases and additional allocations from national and provincial government in terms of the Division of Revenue Act and the Provincial Allocations. There is still a decrease in the interest received on investments due to withdrawals in 2017/18 in order to fund pay capital projects that were internally funded. The summary of the total revenue pattern of the past four years is summarised as follows:

Table 2: Total revenue trends

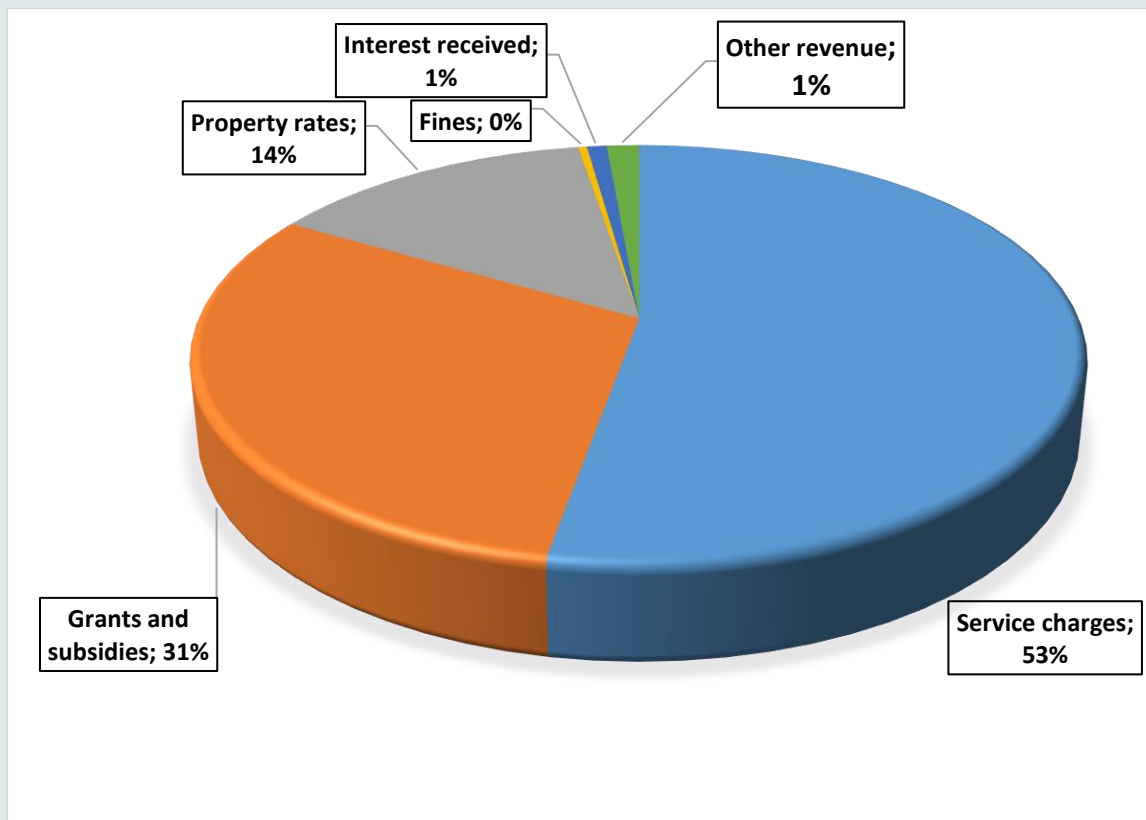
Year	Total Revenue (R)	Revenue increase/decrease	%increase/ (decrease)
2018	1 817 350 775	66 885 099	4%
2017	1 750 465 676	103 410 667	6%

2016	1 647 055 009	125 198 770	8%
2015	1 521 856 239	65 645 350	5%

The increase of 4% in revenue from 2017 to 2018 was below the inflation rate in South Africa of 5.1% as at 30 June 2018. This indicates that the municipality's revenue performance was operating at a level not adequate to cover for the general increase in prices of goods and services, which despite most tariffs being increased by 7% for rates and service charges. The municipality will need to identify more revenue generation sources in order to ensure that revenue growth stay above inflation rate. This could be done through the aggressive implementation of the municipality's adopted Revenue Enhancement Strategy.

The following graph depicts a contribution of each revenue source to the total revenue of the municipality during 2018 financial year:

Figure 1: Revenue source contribution to total revenue



The table 3 below reflects major revenue sources which had a huge impact to the total revenue during 2018 financial year. The municipality generated more than half its total revenue base from service charges, which is 53%. The other significant sources of revenue are Property Rates at 14%, Government grants and subsidies at 31%. The percentage contribution of various revenue sources to total income have remained fairly constant in the years under consideration.

In the analysis below, the focus is on the material revenue contributing items with a view to analyse their behaviour over the past three year. In total these revenue sources contributed R1 770 084 552 to the municipality's total revenue of R1 817 350 775 in 2018, representing 98%.

Table 3: Major revenue sources

Revenue source / item	% Contribution 2018	Revenue: 2018
Property Rates	14%	253 485 719
Service Charges	53%	959 936 419
Governments Grants & Subsidies	31%	556 662 414
Material revenue items	98%	1 770 084 552
Percentage Increase from 2017		4%
Total revenue elements		1 817 350 775
% Total		98%

Service charges and property rates contributed 67% to the total revenue of the municipality. These are regarded as primary sources of revenue which the municipality needs to ensure

and sustain for its long-term survival. Other revenue such as fines, profit of sale of asset and sundry revenue together contributed only 2% to the total revenue.

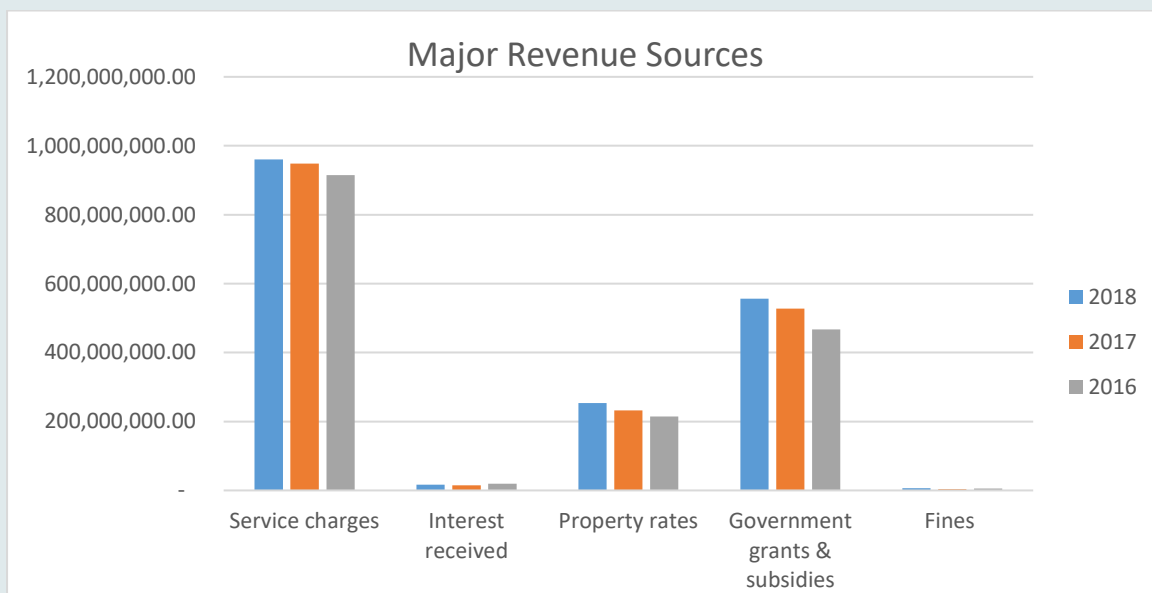
Table 4 below reflects the movement in major revenue streams over the period under consideration. The table shows an increase in the revenue categories mainly due to the normal annual increase in the tariffs as per the budget guidelines approved. During the 2014/15 financial year there was an implementation of GRAP 1, which required that the municipality recognises all fines issued as revenue. There has been huge provision for impairment of fines due to non-collection over the past few years. This was supposed to increase the revenue of fines but instead, a there has been a decrease in the fine revenue from R7 million to R3 million over a three year period. The summary of movement of major revenue sources is summarised as follows:

Table 4: Movement of major revenue sources

Line Item	2018	2017	2016
Service charges	959 936 419	948 273 264	914 750 787
Interest received	15 420 651	14 835 339	19 673 326
Property rates	253 485 719	232 285 813	214 713 798
Government grants & subsidies	556 662 414	527 822 316	467 501 529
Fines	6 680 062	3 605 936	5 205 647

The following is a graphical presentation of the patterns of movements of these elements.

Figure2: Movement of major revenue sources



4.2 Expenditure

The total expenditure of the municipality has increased by R146 207 240 (7%) from R2 092 825 928 in 2017 to R2 239 033 167 in 2018. The following table shows the municipality's total expenditure performance over the four years:

Table 5: Total expenditure trends

Year	Total Expenses (R)	Expenditure increase/ (decrease) (R)	% increase/ (decrease)
2018	2 239 033 167	146 207 240	7%
2017	2 092 825 928	(475 529,058)	(19%)
2016	2 568 354 986	1,047 669 915	68.9%
2015	1 520 588 071	151 326 195	11.4%

There has been an increase in the overall expenditure over the past four years same period. Over the four-year period, expenditure has increased by 47% (R718 445 096). Expenditure items which have attributed to the major the increase of R147 207 240 between 2017 and 2018 are the employee costs, debt impairment, and contracted services.

Below is a table of the proportionate contributions of each expenditure element to total expenses at the end of 2018. It is clear from the table that major expenditure drivers for the municipality are the following:

- Bulk purchases
- Employee related costs
- General expenses
- Depreciation, amortisation and impairments.
- Debt impairment; and
- Contracted services.

Table 6: contrition of expenditure items to total expenditure

Line Item	% Contribution	2018
Employee related costs	25%	548 805 318
Remuneration of councillors	1%	23 164 255
Depreciation and amortisation	20%	449 661 715
Finance costs	2.2%	49 571 016
Debt impairment	8%	177 928 234
Bad debt written-off	1.4%	31 012 340
Collection costs	0%	1 657 929
Loss on actuarial valuations	0.3%	5 793 705

Impairment loss	0.2%	4 372 191
Bulk purchases	24%	540 941 513
Contracted services	4%	90 574 430
General expenses	14.1%	315 550 521
Total expenditure	100.00%	2 239 033 167

The municipality's employee related costs represents 25% of total operational expenditure. This percentage is significantly lower than the prescribed threshold of 35% determined by the National Treasury. If however the non-cash items are excluded, the employee related costs represent 35%. While it needs to be mentioned that critical vacant positions need to be filled in order to ensure adequate service delivery, it is however not possible to fill all positions at this stage due to the financial position of the municipality.

Bulk purchases represents 24% of the municipality's total expenditure. When compared to 2017, bulk purchases decreased by R18 million. The decrease is due to the decrease in demand as one of the municipality's major business consumers, the South African Calcium Cubit (SACC), underwent the business rescue process during the 2018 financial year.

Depreciation contributes 20% to the total expenditure. The increase in capital expenditure over the years, coupled with revaluation of infrastructure assets resulted in high depreciation cost.

Debt impairment contributes 8% to the total expenditure of the municipality, with an increase of R108 million when compared to 2017. Additional provision for debt impairment is a clear indication of the municipality's challenges to collect outstanding debt.

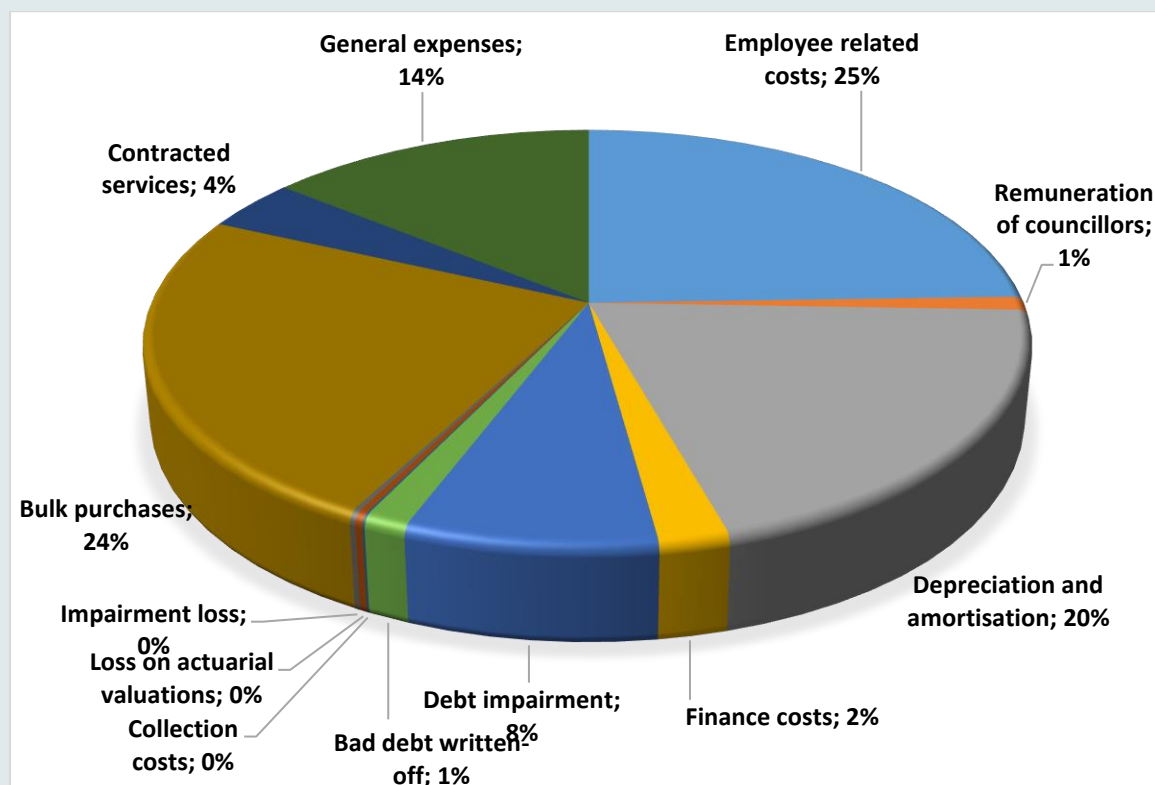
General expenses contributed 14% of the total expenditure. This is an increase of R15 million from 2017. While some of the increase is attributed to the reclassification due to the mSCOA

for items previously classified as Repairs and Maintenance, however, there is a need of the municipality to reduce expenditure through cost containment measures and strategies.

Contracted services represents 4% of the municipality's total expenditures. This represents an increase of R21 million from 2017 financial year. The increase is due to new contracts for security services that the municipality entered into during the year, as well as the reclassification of the Repairs and Maintenance into contracted services as required by the mSCOA.

Below is a graphical presentation of each expenditure item to the total expenditure of the municipality. While it is clear that employee costs, depreciation, debt impairment, bulk purchases and general expenses are the major expenditure items contributing about 83% of the total expenditure, the municipality may not overlook expenditure of at least 17% percent on finance charges, councillor remuneration, collection costs, Impairment loss, and actuarial loss.

Figure 3: contrition of expenditure items to total expenditure



The following table depicts movements of major expenditure drivers:

Table 7: Movement of major expenditure drivers

Expenditure driver	% Increase	2018	2017	2016
Employee related costs	10.7%	548 805 318	495 757 372	489 601 018
Depreciation	4.8%	449 661 715	472 110 422	456 740 714
Debt impairment	155%	177 928 234	69 517 589	542 782 561
Bulk purchases	-3.3%	540 941 513	558 945 739	513 530 461
General expenses	41.8%	315 550 521	222 485 641	257 574 117

Between 2017 and 2018, employee related cost has increased by 10.7% due the annual salaries increases and filling of new positions. The depreciation also increased by 4.8% due to additions in the assets register as well as the revaluation of infrastructure assets. Debt impairment recorded an increase of 155% during this period. This is due to the municipality not being able to collect its revenue. Bulk purchases recorded a decrease of R18 004 226 (3%) during the same period. The decrease is due to the low electricity demand from one of the municipality's major business consumers, which was placed under business rescue. General expenses recorded an increase of R15 million (41%) due to reclassification of expenditure as required by the mSCOA reporting reform.

4.3 Net Operational Performance

As at the end of 2018, the municipality recorded a deficit of R433 599 885, which is a regression of R139 317 656 (47.3%) from the deficit of R294 282 229 that was recorded in 2017. The deficit was mainly as a result of the noncash items such as depreciation and debt impairment, which have no impact on the Municipality's cash flow. While this is the case, it however also noted that there is need for the municipality to cut down on contracted services, general expenditure and finance cost in order to bring down its deficit. The municipality must establish and implement cost containment measures and strategies in this regard.

The current picture is a cause for concern, where revenue generated by the municipality in 2018 was not adequate to cover all expenses that that municipality incurred. The total revenue of the municipality increased by only 4%, which was far below the inflation, while the total expenditure increase by 7%. The deficit also increase by 47.3%, an increase of R139 million from 2017. This is a clear indication that the municipality is struggling to carry itself in

as far as day to day operations are concerned. The municipality will be to develop and implement serious turnaround strategies in order to turn the tide.

4.4 Unauthorised Irregular, Fruitless and Wasteful Expenditure

Despite a number of measures already implemented, the municipality continued to incur unauthorised, irregular and fruitless and wasteful expenditure during 2018 financial year. Since 2015, the municipality has been incurring such expenditure and has failed to exercise consequence management in order to ensure that it is investigated and accounted for.

As at 30 June 2018, the municipality recorded unauthorised expenditure of R918 million, of which R124.1 relates to 2018 and R793.8 million relates to the financial years. Most of the unauthorised expenditure for the current year is attributable general expenses, debt impairment and employee-related costs. Unauthorised expenditure for the previous financial years has already reported to council and handed over to MPAC for investigation. The process of investigation in ongoing.

The municipality also recorded fruitless and wasteful expenditure of R9.9 million as at 30 June 2018, of which R8.4 million relates to the 2018 and R1.5 million relates to previous financial years. The bulk of the fruitless and wasteful expenditure is attributable to late payment of Eskom and SARS due to the municipality's cash flow challenges. Fruitless and wasteful expenditure for the previous financial years has already reported to council and handed over to MPAC for investigation. The process of investigation in ongoing.

The municipality further recorded irregular expenditure of R283 million, of which R95.6 million relates to the 2018 and R187.6 million relates to previous financial year. The bulk of irregular expenditure is attributable to payments made on expired contracts, awards made to persons in the service of state and contracts where SCM procedures were not properly followed. Irregular expenditure for the previous financial years has already reported to council and handed over to MPAC for investigation. The process of investigation in ongoing.

4.5 Distribution Losses

Distribution losses relates to losses incurred by the municipality due to failure of the municipality to bill for services, but where a services commodity has either been utilised by the consumer, or lost in the supply network. Distribution losses are recorded in respect of water and electricity.

In 2018, the municipality recorded water distribution losses of R45.4 million, representing 48.8% of the water volumes supplied during the year. This a massive loss recorded by the municipality. The water losses increased by 42.1% (R13.4 million) when compared to 2017 financial year. National Treasury requires that water distribution losses be curbed at 30%. The water distribution losses are due to leaks from transmission and distributions mains, leaking on service connections up to the consumer's meters. Commercial distribution losses are attributable to unauthorised/illegal connections, meter bypass, illegal use of fire hydrants.

In 2018, the municipality recorded electricity distribution losses of R15.3 million, representing 4.1% of the electricity volumes supplied during the year. These losses are below the norm of 7% required by National Treasury. The losses increased by 5.7% (R829 011) when compared to 2017 financial year. The electricity distribution losses are attributable to the standard line losses, unmetered own consumption on street lighting, free basic services and traffic lights. Other losses relate to unrecorded electricity delivery, illegal connections, faulty and incorrect calibration of meters.

5. Financial Position

The analysis of financial position covers two major sections, namely assets and liabilities. Each of these sections is discussed below.

5.1 Assets

As at the end of 2018, the municipality recorded total assets of R8.0 billion, which comprise of Property, Plant and Equipment, Cash and cash equivalent, Investment Property, Intangible Assets, Investment in Associate, Receivables, Inventory and Consumer Debtors. It is worth mentioning that property, plant and equipment of the municipality amounted to R6.7 billion (83% of total assets) at the end of 2018, and this is a good indicator of the municipality's capacity to render service delivery to communities that it serves. Net consumer debtors

amounted to R484 million, while gross consumer debtors amounted to R1.3 billion. This is also a clear indication of the municipality's inability to collect its debtors.

Table 8: Total asset structure

Asset Item	2018	2017	2016
Total Assets	8 040 159 656	8 289 313 593	8,496,294,617
Property, Plant & Equipment	6 740 721 091	7 044 454 625	7 353 829 849
Cash & cash equivalents	57 464 870	50 507 758	44 572 895
Investment Property	379 606 000	365 022 000	275 974 000
Heritage Assets	7 468 510	6 991 102	6 326 820
Intangible Asset	5 585 264	8 686 539	8 539 564
Investments in Associate	275 279 106	301 163 242	346 321 2206
Vat payable	1 775 605	-	10 753 011
Inventory	12 462 150	15 223 528	13 380 566
Consumer Debtors	483 690 211	444 854 636	395 096 860
Other Debtors	77 882 454	52 409 731	42 846 317

For the sake of clarity it is necessary to unpack these assets as follows:

5.1.1 Consumer debtors

The consumer debtors are recorded R483 690 211 on the face of the financial statements. This figure represents net balance of gross debtors of R1 327 452 924 less the provision for debt impairment of R843 762 713. This will indeed have a negative impact on the municipality's liquidity position if it not addressed urgently. Hence, it is important that municipality keep on re-examining the effectiveness of its credit control and debt collection strategies with a view to curb or reduce the current level of consumer debtors.

5.1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- are expected to be used during more than one reporting period.

The municipality has significantly invested in assets which augur well for service delivery. Property, plant and equipment assets decreased by 4.4% (R306 503 837) from R7 044 454 625 in 2017 to R6 740 721 091 in 2018. The decrease is due to the depreciation of assets during the year. Property, Plant and Equipment represents 83% of the capital structure of the municipality.

5.1.3 Cash and cash equivalents

Cash includes cash on hand and cash invested with banks. Cash and cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Cash and cash equivalent of the municipality has increased by R6.9 million in the current period from R50 507 758 in 2017 to R57 464 870 in 2018.

5.1.4 Investment property

Investment property is Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- Sale in the ordinary course of operations.

Investment Property represents 4.7 % of the total assets of the municipality. Most of Investment Property is vacant land which means the municipality has adequate potential to facilitate development, which bode well for the future revenue growth. The Investment property has increased R14.6 million from 2017 due to the fair value adjustment assessed in the current year. As at the end of 2018, Investment Property was stated at R379.6 million.

5.1.5 Investment in Associate

Investment in Associate represents the municipality's 34% stake in Uthukela Water. The investment has decrease from R301 163 242 in 2017 to R275 279 106 in 2018, representing a decrease of R25.9 million (8.6%). This decrease attributable to the decrease in the net assets value of Uthukela Water as the Entity continues to incur financial deficit.

5.2 Liabilities

As at 30 June 2018, the liabilities of the municipality were stated just in excess of a R1.3 billion as reflected below.

Table 9: Total liability structure

Liability Item	2018	2017	2016
Total liabilities	1 339 531 312	1 155 027 708	1 045 306 734
Long-term loans	402 570 627	447 215 530	458 502 484
Curent/Non-current provision: landfill site	31 292 755	31 217 649	26 814 753

Non-current provisions: defined benefit plan obligations	145 207 202	128 168 731	120 075 542
Non-current Finance Lease Obligation	24 309	234 909	25 920
Consumer Deposits	18 966 524	14 334 239	12 752 606
Current Provisions	7 997 613	6 215 831	5 775 189
Unspent Conditional Grants and Receipts	56 316 815	41 556 011	32 408 992
Finance Lease Obligation	233 511	168 853	65 694
Current Portion of Long-term loans	29 483 981	32 002 485	29 375 168
Payables from exchange transaction	645 662 370	451 522 945	359 510 386

For the sake of clarity it is necessary to unpack these liabilities further as follows:

5.2.1 Long-term loans

The Long Term loans have decreased by R47 million due to repayment to the existing loans during the year. The municipality has not taken any loans in the current financial year. The current loans are R468 106 644 with DBSA and R263 947 965 with ABSA. The total value of loans as at 30 June 2018 was stated at R432 054 609. Due to the cash-flow challenges, the municipality embarked on a process of restructuring its loans with both institutions during the year. The intention was to get the short-term relief on repayments in order to reduce its instalments.

5.2.2 Current Provision for Landfill Site

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R 31.2 million to restore the site at the end of its useful life, as estimated by the engineers. Provision has been made for the net present value of this cost using the average cost of borrowing interest rate. The remaining useful life of the current landfill site is one year, hence the provision for the current liability.

5.2.3 Consumer Deposits

Deposits held in lieu of providing municipal services on credit. This amounted to just over R18.9 million at the end of 2018 financial year. This represents an increase of 32% (R4,3 million) from 2017 financial year. Council passed a resolution to increase the consumer deposits by a substantial amount, such that it is able to cover at least 50% an average monthly consumer account.

5.2.4 Non-Current Provisions: Plan Obligations

The municipality provides retirement benefits for all its permanent employees. This means that should the Retirement Fund gets liquidated, the municipality will be required to fulfil the obligation to retired employees. The provision is currently stated at R145.2 million. This represents an increase of 13.3% (R17.1 million) from 2017 financial year. The increase is attributable to annual salary increases as well as the new permanent employees employed by the municipality during the year.

5.2.5 Unspent Conditional Grants

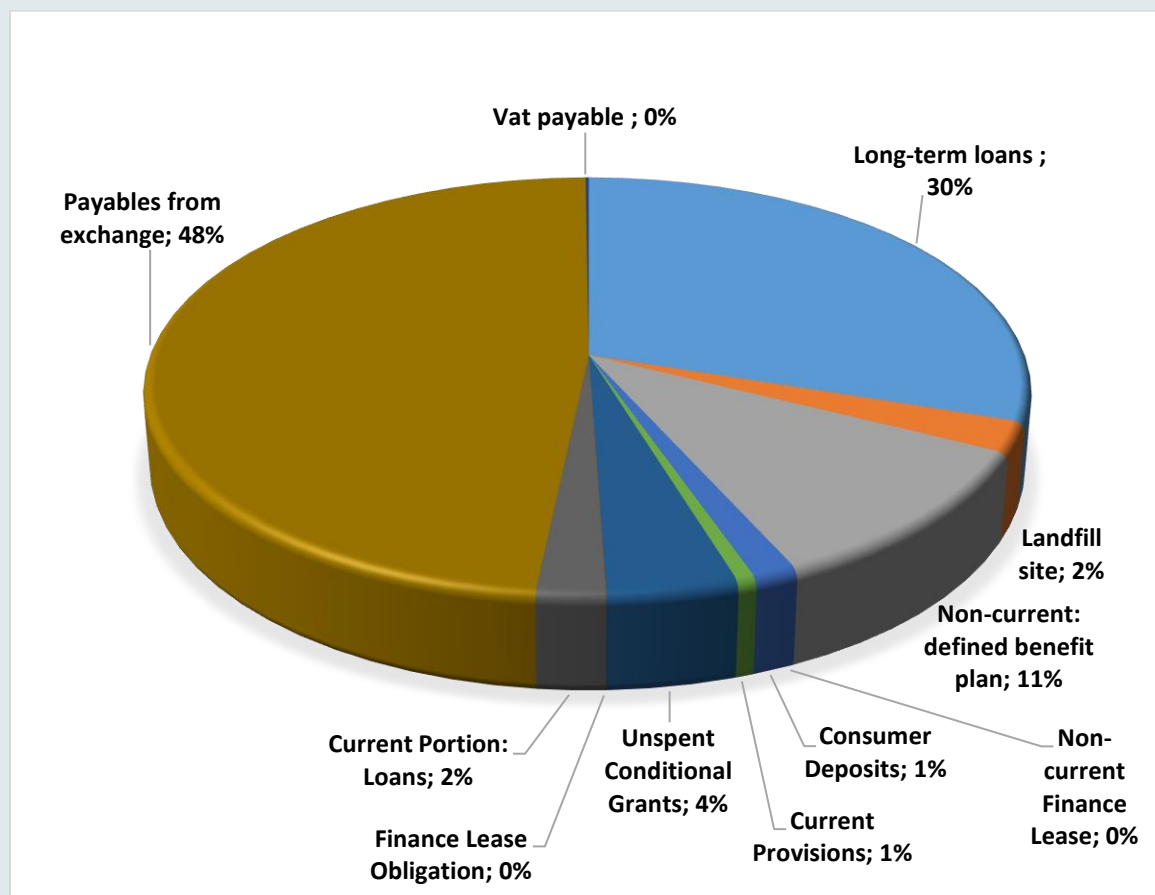
These are conditional grants from other spheres of government. The amounts represent the obligation of the municipality to comply with the conditions of the grant. If the municipality fails to fulfil the obligations, it will be required repay the money to the National Revenue Fund. The unspent conditional grants are stated at R56.3 million as at the end of 2018 financial year. The municipality has submitted applications for roll-overs in relevant government departments. All roll-overs were approved by relevant Transferring Departments and National Treasury, with the exception of the National Development Partnership Grant (NDPG). A new motivation in respect of the NDPG had since been submitted by the municipality in line with Section 22(5)(b) of the Division of Revenue Act (DoRA) to National Treasury, the outcome of which is still awaited. Should National Treasury decline the application, the implication is that the municipality will be required to revert an amount of R12.1 million to the National Revenue Fund before the end of the 2018/19 financial year.

5.2.6 Payables from exchange transactions

Payables from exchange transactions represents amounts invoiced or services received by the municipality where services have been rendered and not yet paid for. These include, amongst other things, trade creditors, retentions, leave and bonus provision payable to staff members. As at 30 June 2018, the municipality recorded payables from exchange of R645.6 million (2016/17: R451.5 million). This an increase of R194.1 million (43%). Trade creditors contribute R387.4 million (2016/17: R237.3 million) to the total payables from exchange, which represents 60%. This is a clear indication of the cash flow challenges currently faced by the municipality, which has resulted in a municipality not being able to pay its creditors.

The proportionate share of individual liabilities to total liabilities is as per the diagram below:

Figure 4: contribution of liability item total liabilities



6. Financial Ratios

The municipality can utilize financial ratios to aid in managing their cash position as well as alert them to the possibility of financial difficulties. The municipality needs to also consider the trends and patterns over the various financial periods and thus ascertain a better understanding of their cash position.

6.1 Solvency Ratio

The municipality remains solvent with total assets in excess of total liabilities. This is a comforting scenario, as the municipality continues to invest in assets. During 2018 financial year, over R179 million worth of new additions were invested into the infrastructure. As outlined in the table below, the solvency position (ratio of assets to liabilities) of the municipality has decreased from 7.1 in 2017 to 6.0 in 2018. The decrease is due to the depreciation of assets, investment properties and investments in associates between the two financial years. The increase in trade payables, defined benefit plan and the unspent conditional grants also resulted into the lower solvency position.

The table below illustrates our solvency situation for the three years being analysed. Of concern is the fact that the ratio keeps decreasing as years go by, which means that the municipality may end up having challenging in honouring their obligations in future if no action are taken to improve the situation:

Table 10: Solvency ratio

Item	2018	2017	2017
Assets	8 040 159 656	8 289 313 593	8 419 255 511
Liabilities	1 339 531 312	1 155 027 708	1 045 306 734

Net Assets	6 700 628 344	7 134 285 885	7 373 948 777
Ratio	6.0	7.1	8.05

6.2 Liquidity Ratios

As evident from the table below, the capacity of the Municipality to fulfil its short term obligations is negative. The ratio has decrease from 1.02 in 2017 to 0.79 in 2018. The current status indicates that the municipality's assets collectable within the next twelve months will not be able to cover the liabilities payable within the same period. This represents a very dire financial state of affairs. National Treasury requires municipalities to maintain the liquidity ratio of at least 1.5. The ratio of 0.79 for the municipality is way below the National Treasury norm. The municipality will need to implement measure to reduce its short-term liabilities as it is already struggling to meet such obligations.

Table 11: Current Ratio

Item	2018	2017	2016
Current Assets	631 499 685	562 996 085	506 649 649
Current Liabilities	791 729 174	548 190 889	439 888 035
Ratio	0.79	1.02	1.15

6.3 Net Cash Position

Net cash position is an attempt to reflect the cash position of the municipality after some of its key obligations have been covered. It seeks to reflect what cash will be available after the

key obligations have been paid. This in assumption that the municipality will not receive any additional cash.

Net of Unspent Conditional Grants)

(Cash and Cash Equivalent – Unspent Conditional Grants)

(R57 464 870 – R56 316 815)

Net Cash Position: R 1 148 055

Conditional grants are provided to municipalities for a specific purpose and cannot be used for the general operations of the municipality. This ratio identifies whether the municipality has sufficient funds to ensure the cash backing of Unspent Conditional Grants. At the end of 2018, adequate cash was available to repay conditional grants.

Net Cash Position (Net of Unspent Conditional Grants and HDF)

(Cash and Cash Equivalent – Unspent Conditional Grants - Housing Development Fund)

(R57 464 870 – R56 316 815 – R26 076 953)

Net Cash Position: -R24 928 898

This ratios indicates that as at the end of 2018, available cash was inadequate to repay conditional grants and the Housing Development Fund should such funds be required to be paid to relent government departments. This implies that the municipality was required additional cash of R24.9 million in order to honour such requirements

Net Cash Position (Net of Unspent Conditional Grants and HDF and Trade Payables)

(Cash and Cash Equivalent – Unspent Conditional Grants - Housing Development Fund – Trade Payables)

(R57 464 870 – 56 316 815 – 26 076 953 – 387 420 111)

Net Cash Position: -R412 349 009

This ratios indicates that as at the end of 2018, available cash was inadequate to repay conditional grants and the Housing Development Fund and creditors. This implies that the municipality was required additional cash of R412.3 million in order to honour such requirements

Conclusion

Although revenue has increased during 2018 financial year, such increase was however not adequate to cover the level of expenditure that the municipality has incurred over the same period. Increase in non-cash items such as depreciation and debt impairment also had an impact in the deficit as at the end of 2018. This is a clear indication that the municipality's reserves and provisions have not been adequate to deal with these expenses should the need arise in future.

The 2019 is going to be a very difficult year for the municipality, given its cash position. Unless stringent majors are taken to collect more revenue and to curb expenditure, it is clear the municipality is heading for further financial challenges. The municipality may need to slow down of its operations and ensure that as little as possible capital projects are funded internally.

CHAPTER 5

ANNUAL PERFORMANCE REPORT 2017/18

BACKGROUND TO MUNICIPAL PERFORMANCE REPORTING

The Newcastle Municipality's Annual Performance Report 2017/18 is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, 32 of 2000 and Chapter 12 for the Municipal Finance Management Act, 56 of 2003. The Municipal Systems Act prescribes the role of each sphere of government in the municipal performance reporting process.

PURPOSE OF THE REPORT

The main purpose of this report is to account to MEC for Local Government, Provincial legislature, NCOP, Minister of Cooperative Governance and Traditional Affairs, National Treasury, Auditor-General and to the citizens of South Africa on progress being made by municipalities towards achieving the overall goal of "a better life for all". Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, Batho Pele, White Paper on Local Government, MSA and the MFMA.

THE ASSESSMENT PROCESS AND THE METHODOLOGY FOLLOWED IN COMPILING THE REPORT

According to the provisions of the Municipal Systems Act, 32 of 2000, municipalities must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports, in terms of Chapter 6 of the MSA, on performance management systems. These quarterly and mid-year reports make up the municipalities' annual performance reports (Section 46 report), which are submitted to the Auditor-General, together with the financial statements, for auditing. After adoption of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the MEC for Local Government.

LEGISLATIVE OVERVIEW

Section 46 of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting—

- ❖ The performance of the municipality and of each external service provider during that financial year;
- ❖ A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- ❖ Measures taken to improve performance

An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

LESSONS LEARNT IN 2017/18

Reporting requires that the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, are taken and presented in a simple and accessible format, relevant and useful to the specified target groups for review. While it is important that the reporting formats are relevant, useful and cater for the reader's need in reviewing performance, the existence of too many reporting formats can become both confusing and burdensome to the organisation. The ideal situation is the existence of one reporting format that contains the necessary information for all users, yet remains simple and accessible to all users. This was done using a basic Excel spreadsheet.

In the year under review, every attempt was made to align the planning and reporting template with KPI's from the National Treasury through the IDP process, and then subsequently at Mid-Year Review with the Back to Basics programme. This became rather confusing and frustrating for departments who were already accustomed to KPI's from previous years which were also aligned to the IDP, which may have been phrased differently.

It is also apparent that in order for an effective PMS, it is necessary for all stakeholders to be involved in the planning, monitoring and review process. Of specific note is the need for the streamlining of oversight activities by the Council and Community through processes specified in a framework to be aligned to other key strategic processes of the organisation. Furthermore, the need for a National and Provincial reporting system integrated with local government is re-

iterated for the purposes of mainstreaming of national programmes and reporting requirements.

Perhaps one of the critical factors influencing performance in the organisation is the value chain and instilling a culture of performance. This would include amongst others - change management and team building techniques, awareness of and practicing of Batho Pele principles and a Code of Ethics. Leadership and management processes are key to ensuring an outcome driven entity with recognition and acknowledgment systems being implemented. In the year under review, budget cuts, and the high vacancy rate in top management negatively impacted on the quality of performance reporting. It is therefore deemed appropriate to ensure that together with skills development and change management processes, performance management is cascaded to all levels of employees once the re-engineering process is finalised. It is encouraging to note that this is supported by Council through the approval of an IPMS policy and systems and processes are in place to implement this in the 2018/19 financial year. The process will await the appointment of top management and engagement and awareness of employees and relevant stakeholders.

For the performance Management process to be efficient, it is necessary for an automated system to be implemented to ensure accurate reporting that is aligned to financial reporting processes. This must be followed by effective risk management and internal audit processes to ensure that review mechanisms are implemented timeously. For the year under review, the need to align with other governance processes was emphasised through the PMS process. Unfortunately, institutional challenges amongst others, contributed to inadequate monitoring mechanism for governance related issues. It is therefore necessary to ensure that when the PMS is automated, that it interfaces with the governance systems, including amongst others a project management module, GIS and financial systems. The municipality awaits the roll out of MSCOA alignment to PMS and the standardization of KPI's for integration with national and provincial programmes aligned to the National Development Plan.

The institutional arrangements within the organization must be such that it supports the process. This would include sufficient capacity to lead the process and to ensure that compliance issues are administered. The need for each department to also identify performance champions administratively to co-ordinate performance information to support performance managers and leaders is critical for ensuring compliance with reporting requirements. This would include adequate administrative systems such as record keeping, consistency with administrative support officials. Furthermore, ongoing awareness and training is necessary to ensure that the entity is abreast of all performance related issues and how this integrates into other municipal processes. This was affirmed by the Audit Committee, resolving that no interns be used to co-ordinate PMS reporting in departments and that a coordinator in departments with administrative functions be nominated by each department. This continues to be a challenge in most departments resulting in lack of consistency in quality reporting.

Of critical importance is the need for top and senior management posts to be filled to ensure management and leadership in so far as performance management processes are concerned. This is necessary especially in terms of motivating a goal orientated environment, quality control in respect of reporting and monitoring, review and submission of evidence and more importantly ensuring accountability at a senior management level. Actions plans in so far as the filling of critical posts must be implemented to meet the targets as specified in the SDBIP, including reducing the turnaround time for the filling of these posts. The vacancy rate in levels of senior management and operationally within the organisation also impacts negatively on performance. This is re-affirmed by Audit Committee recommendations that the use of interns for supporting the performance management process had to be reversed to ensure accountability at a management level, and to improve the quality of reporting. Of course these factors must be taken into account when aligning targets to resources available. The PMS unit have in the year under review introduced a “*Monitoring and Evaluation Checklist*” to support KPI and project owners review of performance information to meet the basic requirements of the PMS. It was designed also to support the monitoring and evaluation process. The pilot process of the checklist was not entirely successful as departments opted to use traditional methods of submission of performance information – thus contributing to poor quality reporting. The success of this new support approach is dependent on effective and functional senior management at a strategic and operational level. It is incumbent on both management and Council to ensure a resource orientated monitoring and evaluation environment.

The role of the PMS unit as defined in the PMS Framework was operationally reviewed in the year under review to that of supporting departments to ensure quality reporting. This is also dependent on the co-operation and buy-in of officials in departments working with performance information and proved challenging in an organisation with institutional and transformational challenges. Furthermore – skills capacity and competencies in the PMS unit is evolving more towards analytical and audit orientated – as opposed to primarily administrative as is contained in the job requirements for key positions within the unit. It is necessary for the relevant skills development programmes to also be extended to all relevant officials in departments to improve quality of performance processes.

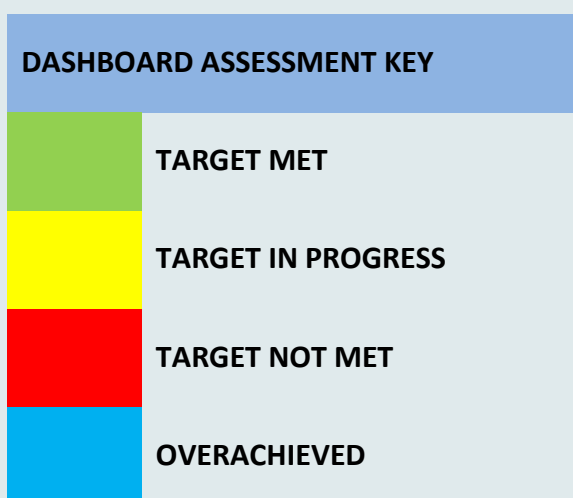
The need for improved Intergovernmental relations to ensure streamlining of performance based reporting processes is also necessary. This would require that all spheres of government to integrate and co-ordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path. Furthermore the alignment to the national government Medium Term Strategic Framework and national priorities is necessary to ensure that all spheres of government are striving to common goals

and targets. It is also deemed appropriate for a common reporting, monitoring and assessment process be developed for all spheres of government in respect of specific key intervention /performance areas.

ORGANISATIONAL SCORE-CARD 2017/18 ANALYSIS

The above-mentioned strategic priorities as identified in the IDP, cascades into the performance management system of the municipality through the 5 year organisational score-card as approved in the 4th generation IDP (**Appendix 1**).

The methodology used for the assessment is based on the rating calculator for Municipal Manager's and managers directly accountable to the Municipal Manager, as well as the Dashboard illustrations used by the Auditor-General. The Score-cards are reviewed against actuals reported against submission of Portfolio of evidence which is also subject to an internal audit process. Where a target was not met, and evidenced Reason for the variance was required together with recommended corrective action to be taken to ensure that the target was to be pursued further. For the purpose of this report only the Dashboard results will be highlighted in terms of :



The technical assessment by the PMS unit must check on the completeness of reports, and the relevance and sufficiency of the portfolio of evidence submitted. Portfolios of evidence should be appropriately reference to the relevant score-cards to allow for ease of reading and for purpose of auditing. A PMS Checklist is used to ensure that performance information as reported is :-

✓ Sufficient

- ✓ Relevant
- ✓ Accurate

The checklist is applied against both the actual reported against the target, as well as the Reason for Variance where a target is not achieved.

Any **TARGET NOT MET**, in any quarter must in all instances have the requisite “REASON FOR VARIANCE”, and “RECOMMENDED CORRECTIVE ACTION, such “reason for variance” to be evidenced, failing which the target will be deemed to be “NOT MET”

Actuals reported within a 10% variance of a target will be considered as acceptable performance and will be scored accordingly.

The following rating scale as applied for section 54 and 56/57 Managers apply to KPI’s at all levels, including SDBIP and individual performance

LEVEL	TERMINOLOGY	DESCRIPTION	ASSESSMENT KEY AGAINST RATING DASHBOARD
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	OVERACHIEVED

4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others	OVERACHIEVED
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	TARGET MET
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	IN PROGRESS

1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	TARGET NOT MET
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Accordingly, for the 2017/18 financial year, a total of 81 key performance indicators (relevant and applicable) are evaluated against targets set as summarized below:-

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED	TOTAL APPLICABLE KPI'S
Basic service delivery	10	4	0	1	15
Cross Cutting	10	1	2	0	13
Financial Viability	11	2	2	0	15
Good Governance	11	8	5	0	24
Institutional Development	1	4	3	0	8

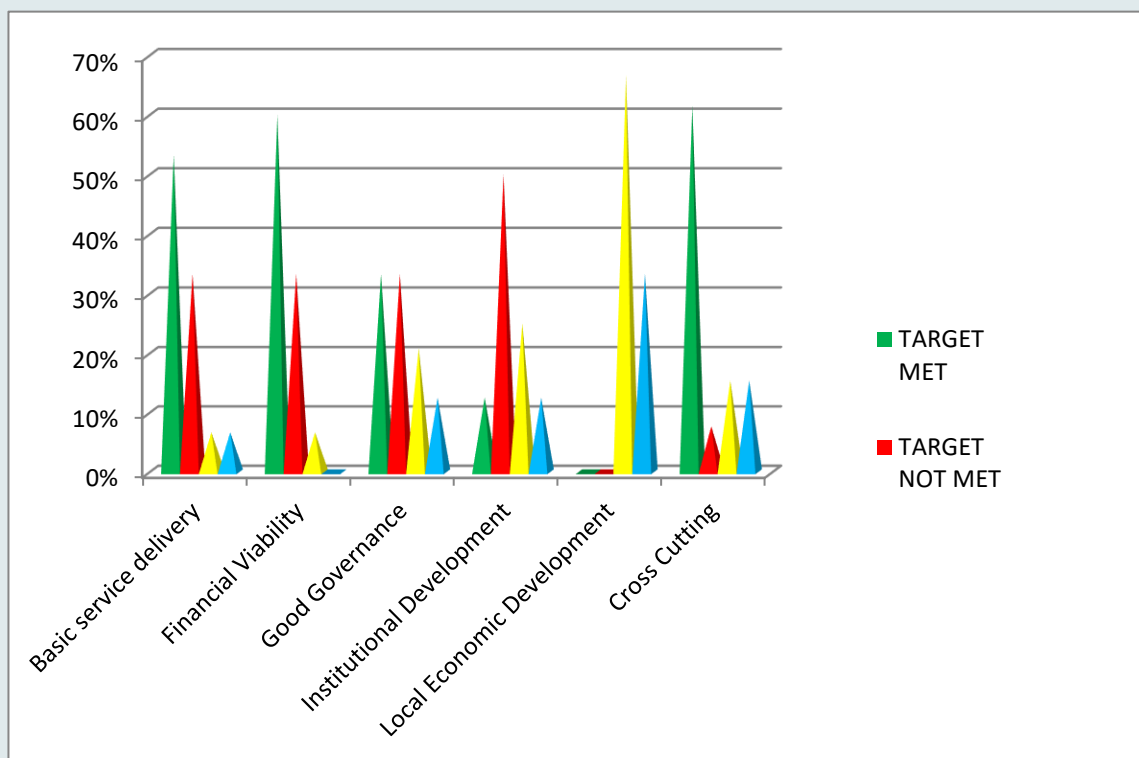
Local Economic Development	2	0	4	0	6
TOTAL	45	19	16	1	81
	56%	23%	20%	1%	

From the above table, 57% of targets were achieved, of which 1% was exceeded for all key performance indicators on the organisational score-card linked to the IDP.

23% of targets were not achieved at all, with 20% of targets being partially achieved or still in progress.

Where performance was not reported and/or reported but was not backed with relevant, sufficient or accurate evidence, the target was deemed to have not been achieved or still in progress.

2017/18 KPA PERFORMANCE



PERFORMANCE ACHIEVEMENTS

DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS

1. TITLE RESTORATION PROGRAMME(EEDBS)

- The department has registered more than 350 beneficiaries of the Enhanced Expanded Discount Beneficiary Scheme

2. H39 HOUSING PROJECT (MADADENI)

- The contractor has completed 97% of the installation of internal services namely water and sanitation and there are 12 solid structures that still need to make way for the completion of these services.

3. CHARLESTOWN HOUSING PROJECT

- Project sewer reticulation was also completed during this period. The Implementing Agent (Dovecall) has also started with the construction of a show house.

4. SIYAPHLALA-LA HOUSING PROJECT

- A total of 297 Houses were built during this financial year (2017/18) and all these houses have been approved.

HOUSING PROJECTS

1. Osizweni E	40
2. Khathide	15
3. Siyaphlala-la	<u>297</u>
	352

TECHNICAL SERVICES

1. Panorama Storm water Phase 3

- The aims of the project were to improve the storm water control measures along Ferret Street, portions of Reservoir Street, Henrietta Street, Panorama Drive and The School of Industries. The project was completed within the contract and 16 local labourers were employed.

WATER SERVICES

1. MADADENI WASTEWATER TREATMENT WORKS EXTENSIONS (CONTRACT A093-2015/16)

- This is a multi-year project that resumed in February 2017 and is expected to be concluded in February 2020. The overall project progress is at 58%, the Civil Contract is at 94% and the mechanical contract is currently at 0%.

2. OSIZWENI E & F: CONVERSION OF VIP TOILETS INTO WATERBOURNE SEWER

- The primary objective of the project is to provide the residents of Osizweni E&F with a reliable sewerage reticulation system.
- The project also aims at reducing poverty to local unemployed community members by creating job opportunities through EPWP

3. LENNOXTON AC PIPE REPLACEMENT PHASE 1

- The water scheme is to be implemented by the Newcastle Local Municipality and funded through MIG. The scope of appointment included for the detailed design, documentation, tender preparation and construction supervision.

4. CHARLESTOWN BULK SERVICES

- The Newcastle Municipality appointed MNA Consulting for the designs and monitoring of this project and Pilcon Projects was appointed to carry out the construction.

5. SOUL CITY WATER MAINS EXTENSIONS

- The Newcastle Municipality appointed Pawacons Consulting Engineers for the designs and monitoring of this project and Vuka Magagula Trading was appointed to carry out the construction.
- Based on the challenges stated above the contractor was delayed to complete their scope of work on time. Contractor will be granted extension of time.

6. SOUL CITY WATER MAINS EXTENSIONS 2

- The Newcastle Municipality appointed Pawacons Consulting Engineers for the designs and monitoring of this project and Bee and Tee Construction was appointed to carry out the construction.

7. DICKS HALT WATER RETICULATION PHASE 01

- The primary objective of the construction of Dicks Halt water reticulation was to supply the community with basic water and eliminate illegal connections and formalization of supply within these areas.

8. INTERGRATION OF CHARLESTOWN BOREHOLES WATER SUPPLY SYSTEM

- The primary objective of this project is integration of Charlestown Boreholes water system.

9. MNDOZO WATER RETICULATION PHASE ONE

- The primary objective of the construction of Dicks Halt water reticulation was to supply the community with basic water and eliminate illegal connections and formalization of supply within these areas.

10. NGAGANE WATER PURIFICATION PLANT

- The primary objective of the installation of the automatic lime dosing equipment is to eliminate the existing manual lime dosing plant and to comply with all safety and health and water quality requirements.

11. NGAGANE WATER PURIFICATION PLANT

- The primary objective of the emergency refurbishment of two sand filters was to bring two non-operational sand filters back into production and thereby return the plant to full production complying with all safety and health and water quality requirements.

12. Osizweni WCDM: DOMESTIC METERING AND TOILETS REFURBISHMENTS WITH LEAKAGE AND STRUCTURAL PROBLEMS

- The completed work allows Newcastle Municipality to save about 60 litres of water per day / per stand from a previously dripping tap, and also about 270 litres of water being recovered from outside leakage toilet per day / per stand.

13. SIYAPHLALA-LA BULK SERVICES

- The primary objective of the project is construction of bulk services for Siyaphlala-la low cost housing.

14. CONVERSION OF 1500 VIP TOILETS INTO WATER BORNE TOILETS AT MADADENI SECTION 7

- The primary objective of the project is to convert VIP toilets into water borne toilets.

15. RESEALING OF ROADS

- 11,4556 KM of roads were resealed.

16. REGRAVELLING OF ROAD

- 2, 5 KM OF ROADS WERE REGRAVELLED.

CORPORATE SERVICES

- Recruitment and Selection Section provided adequate human capital through the filling of 171 EPWP positions during the 2017/2018 financial year.

- On three highest levels of management (EE target group) only 2 people were appointed during the 2017/2018 financial year. This was a huge achievement since council has been without a CFO as from March 2013.
- Recruitment and Selection Section during the 2017/2018 financial year was able to appoint 1 contract worker (political appointment), 5 temporary workers, 24 contract workers (cleaners), 12 contract workers (clerks in BTO), 19 permanent workers and 3 promotions.
- Human resources was able to develop Employment Equity Plan (2016-2021).
- Human resources was able to establish a vibrant Employment Equity forum.
- Human resources was able to develop a policy on Individual Performance Management and was approved by council.
- Human resources established Individual Performance Management System steering committee that is responsible for cascading IPMS.
- Human Resource Management developed an HR Plan (2018-2022).
- Human Resources Management was able to develop its vision and mission in line with Organizational vision
- Human resources was able to automate Leave Management by implementing Employee Self Service System.
- A total number of 57 employees were assisted by EAP.

COMMUNITY SERVICES

1. SABC2 VISIT FORT AMIEL MUSEUM DURING HERITAGE MONTH

- Fort Amiel Museum was the chosen venue from where Morning Live SABC 2 presented the Heritage Month program.
- We had live dance performances, a battlefield re-enactment, and demonstrating traditional food preparations made the program interesting and alive.

2. CHIEF ALBERT LUTHULI COMMEMORATION

- September 2017, the first Chief Albert Luthuli 100 year's Centenary Commemorative walk was presented by the museum in Blaauwbosch.
- Certificates were presented to everyone involved and the Luthuli Museum in Groutville.

3. MUSEUMS EDUCATIONAL TALKS

- The museum also hosting many tourism students from mainly the local Majuba YVET College for practical training. Without this training students would not be able to complete their diplomas.

4. ANNUAL ANGLO-BOER-ZULU WAR COMMEMORATION EVENT

- On 30 June Fort Amiel presented the annual Anglo-Boer-Zulu War Commemoration Event at the historic Hilldrop House which belonged to Sir Rider Haggard the Colonial official and international writer of amongst other “King Solomon’s Mines”.

5. LIBRARY PROGRAMMES 2017/2018

- A total number of 226 programmes were conducted by Newcastle Library Services during the 2017/2018 financial year.
- Programmes included gaming, holiday programmes, school programmes, as well as reading and chess clubs.
- Activities included the use of computers, books, storytelling, how to conduct research and find information from various resources, indoor and outdoor gaming, as well as creative activities.

6. MODULAR LIBRARY WARD 7

- The Office of the Mayor submitted a request for a Modular Library in Ward 7 to the MEC, Honorable B.N Sithole-Moloi. The request was approved and the Provincial Department: Arts and Culture indicated that the Department would be funding the establishment of such library.

7. MY MIRROR/ISIBUKO SAMI EXHIBITION

- In order to understand our past as well as our future and self- identities the mirror guides us to learn more on heritage & history and diverse cultures, religions etc. in order to respect one another. . The honorable Mayor gave the audience the role of the Municipality and how art is so important in shaping our lives therefore it need to be supported and funded.

8. MUSEUMS HERITAGE SEMINAR

- The event Heritage Seminar was held at the Newcastle Town Hall (14th September 2017: 10.00- 14.30) it was organized by the Carnegie Art Gallery (Phumzile Dlamini and Eric Kubheka) and Young Explorers of South Africa (George Ncalane) to give opportunities to learners to learn more about historical backgrounds and the significance of heritage of the country, since heritage is a catalyst in bridging the gap, uniting people of different race, religion, language, culture etc.

9. ART CRAFT FAIR

- The gallery have quarterly Craft Art Fair to market the artists and crafters to public.

10. OUTREACH PROGRAMMES TO COMMUNITIES AND LIBRARIES

- Workshops conducted in schools, art centers and libraries

11. COMMUNITY BASED AWARENESS CAMPAIGN – 16/06/2018: AMAJUBA SPORTS GROUND

12. FIRE OPERATIONS: DISASTER RISK REDUCTION THROUGH FIRE BREAKS WITH VARIOUS LAND OWNERS – MAY TO JUNE 2018

13. CLEAN UP CAMPAIGN AT WARD 17 SESIYABONGA HIGH SCHOOL ON THE 09 FEBRUARY 2018.

- In attendance was the councilor, the ward committee, EPWP, Volunteers and assistance from learners.

14. JAZZ WORKSHOP

- On the 15 JUNE 2018, THE NU'Ora Vibes two local artists Sandile Simamane and Sandile Hadebe, volunteered to the gallery to influenced art with jazz while the artists do their still life hands on workshop

15. INTERNATIONAL MUSEUM DAY

- The International Museum Day established by International Council of Museums (ICOM) in 1977. To spread the message that museums are important means of cultural exchange, enrichment of cultures and development of mutual understanding, cooperation and peace among societies.

CORPORATE SERVICES

1. Organisational Development

- Assisted the organization to transit from an old job evaluation system to the TASK Job Evaluation System.
- Developed a policy on Critical Skills
- Developed a policy on Transport Allowance
- Conducted work study investigations aimed at improving productivity, effectiveness and economic use of resources such as :
- Overtime

- Acting
- Water Services
- Waste Management

2. Training and Development

This Division in line with its mandate of capacity building and in implementing the Workplace Skills Plan 2017/2018 was able to enrol 416 employees across departments on skills development programmes that are aimed at sharpening their skills, career development and multi-skilling with an objective to improve service delivery. The following are some of the highlights of HRD unit for 2017/2018 financial year:-

- Appointed 83 interns who are paid R5000 a month for the period of 2 years as part of the municipality's community outreach programme and attempts to mitigate unemployment amongst the youth
 - Trained 17 learner fire-fighters to graduate as fire-fighters to ensure that they are competent to deliver emergency rescue services effectively and efficiently
 - Assisted 8 municipal employees to be trade tested as electricians, plumbers and bricklayers
 - 7 Municipal employees graduated in May with Masters in Public Administration funded by the municipality
 - Another 12 are expected to graduate in October with their Masters in Public Administration
3. Recruitment and Selection Section provided adequate human capital through the filling of 171 EPWP positions during the 2017/2018 financial year.
 4. On three highest levels of management (EE target group) only 2 people were appointed during the 2017/2018 financial year. This was a huge achievement since council has been without a CFO as from March 2013.
 5. Recruitment and Selection Section during the 2017/2018 financial year was able to appoint 1 contract worker (political appointment), 5 temporary workers, 24 contract workers (cleaners), 12 contract workers (clerks in BTO), 19 permanent workers and 3 promotions.
 6. Human resources was able to develop Employment Equity Plan (2016-2021).
 7. Human resources was able to establish a vibrant Employment Equity forum.
 8. Human resources was able to develop a policy on Individual Performance Management and was approved by council.

9. Human resources established Individual Performance Management System steering committee that is responsible for cascading IPMS.
10. Human Resource Management developed an HR Plan (2018-2022).
11. Human Resources Management was able to develop its vision and mission in line with Organizational vision
12. Human resources was able to automate Leave Management by implementing Employee Self Service System.
13. A total number of 57 employees were assisted by EAP.

14. Secretariat

- The section planned from 1 July 2017 to 30 June 2018, 11 ordinary Council meetings and 1 special meeting and achieved 10 ordinary and 5 special respectively. There was 11 planned ordinary Executive Committee meetings and 11 special meetings where 11 ordinary was achieved and 24 special meetings were achieved.
- The Council approved a budget of R1 000 000,00 for the procurement of the wireless conference delegate system, PA system and data projectors for council chamber needed for audio, public address as well as projection of presentations during council meeting.
- The following By-laws was approved by Council in December 2017

Cemetery Crematorium by-law – 7/06/18 Caravan Parks by-law - 7/06/2018

Fire Brigade by-law -7/06/18 Museum by-law - 5/04/18

Library by-law – 5/04/18 Disaster Management Plan – N/A

Prevention and Suppression

Of Health Nuisance – 7/06/18 Metered Parking by-law – 7/06/2018

Refuse by-law – 3/05/18 Pound by-law – 31/05/2018

Noise Control by-law- 7/06/18 Fare-bearing Passenger, Motor Vehicle by-law – 7/06/2018

SPLUMA by-law- 28/12/17 Information Trade by-law – 31/05/18

Water by-law – 7/06/2018 Standing rules and orders for Council meetings and its committees – 7/06/18

15. Records Management

- The provision of R3 900 000 has been made available for additional licenses to be procured for 2017/2018 financial year. The final award letter to this project was issued to the successful bidder during the fourth quarter of the financial year. The service provider has delivered 150 licenses as per the scope of work.

COMPARISON OF PERFORMANCE TO PREVIOUS FINANCIAL YEAR

The Table below reflects that whilst the IDP's evolved from 3rd generation (2016/17) to 4th generation (2017/18), 45 (56%) of key performance indicators were repeated over the 2016/17 YR and 2017/18 YR.

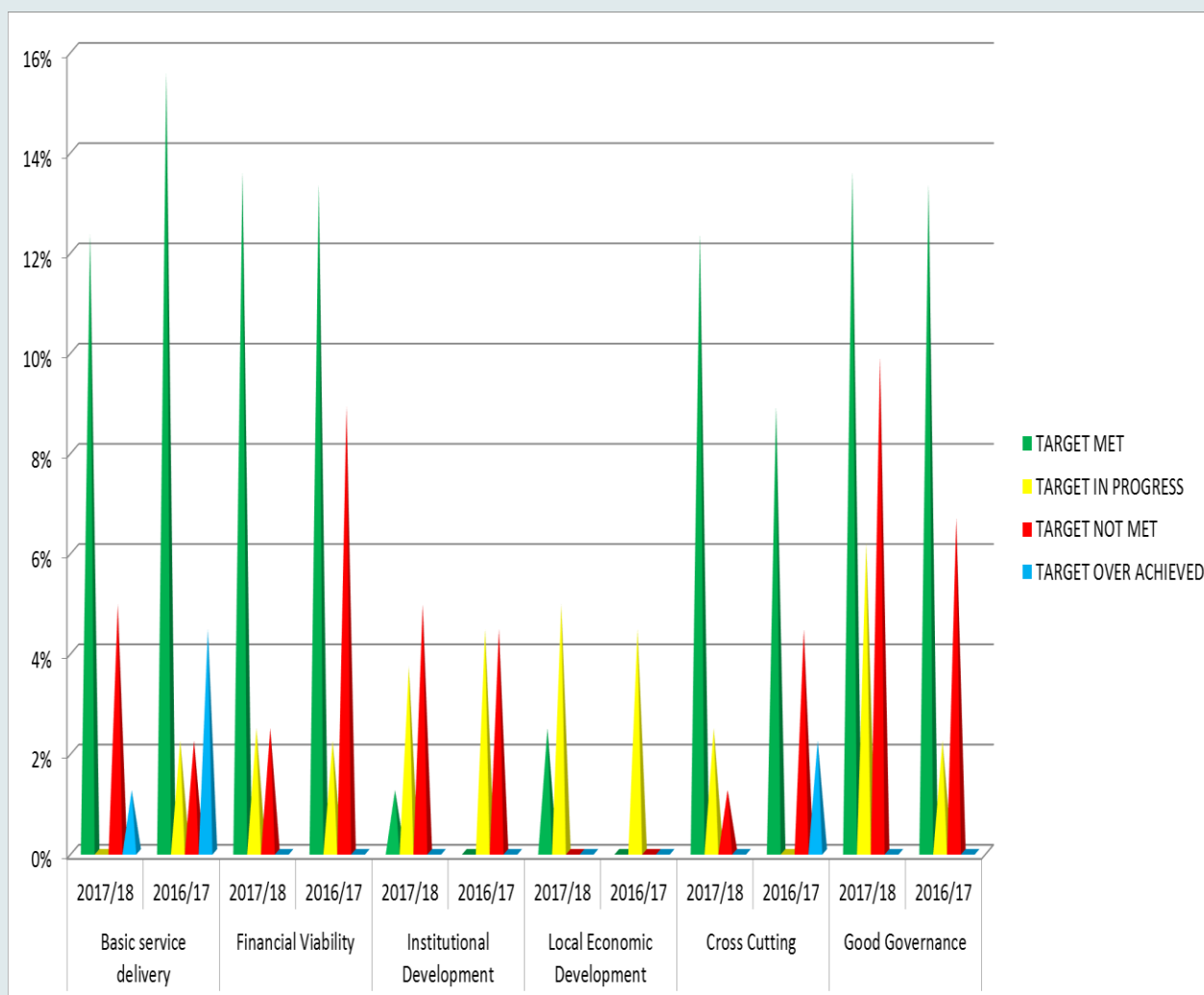
Against the same KPI's, more targets were not met in the 2016/17 YR as compared to the 2017/18 financial year. With more targets in progress reported at year end, the overall performance was just a 1% less compared to the previous year.

KPA		TARGET MET	TARGET IN PROGRESS	TARGET NOT MET	TARGET OVER ACHIEVED	TOTAL KPIS
Basic service delivery	2017/18	10	0	4	1	15
	2016/17	7	1	1	2	11
Financial Viability	2017/18	11	2	2	0	15
	2016/17	6	1	4	0	11
Institutional Development	2017/18	1	3	4	0	8
	2016/17	0	2	2	0	4

Local Economic Development	2017/18	2	4	0	0	6
	2016/17	0	2	0	0	2
Cross Cutting	2017/18	10	2	1	0	13
	2016/17	4	0	2	1	7
Good Governance	2017/18	11	5	8	0	24
	2016/17	6	1	3	0	10
TOTAL APPLICABLE KPI'S 2017/18		45	16	19	1	81
KPI'S OVER 2016/17 & 2017/18		23	7	12	3	45

58% of targets for the same KPI's in 2016/17 were met and exceeded compared to the 57% performance in the current year. This is a nominal decline of 1%- considering that the circumstances under which the organisation performed persisted over the 2 years.

It is pleasing to note however that targets not met decreased by 4%, with the increase in targets in progress by 4%.



ASSESSMENT OF EXTERNAL SERVICE PROVIDERS 2017/18

In terms of section 46 of the Municipal Systems Act,

- (1) A municipality must prepare for each financial year a performance report reflecting-**
(a) the performance of the municipality and of each external service provider during that financial year.

External Service Provider is defined as :-

'external service provider' means an external mechanism referred to in section 76 (b) which provides a municipal service for a municipality"

Municipal Service is defined as :-

'municipal service' means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether-

(a) such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in section 76 or by engaging an external mechanism contemplated in section 76; and (b) fees, charges or tariffs are levied in respect of such a service or not;

Accordingly, the municipal Entity, Uthukela Water (Pty) Ltd is the only External Service Provider of the Newcastle Municipality, for which bulk water services is being rendered. The Entity is still under the Administration of the MEC Cogta since 2012.. As the multi-year Business plan and the Service Level agreement is still in the process of being finalised, an SDBIP with operation KPI's was approved by the Municipality.

The assessment is based on the SDBIP of Uthukela water for the 2017/18 financial year which was evidence based. It should be noted however, that the 2016/17 report was not evidence based, but a comparison of relevant KPI's are made on the score-card.

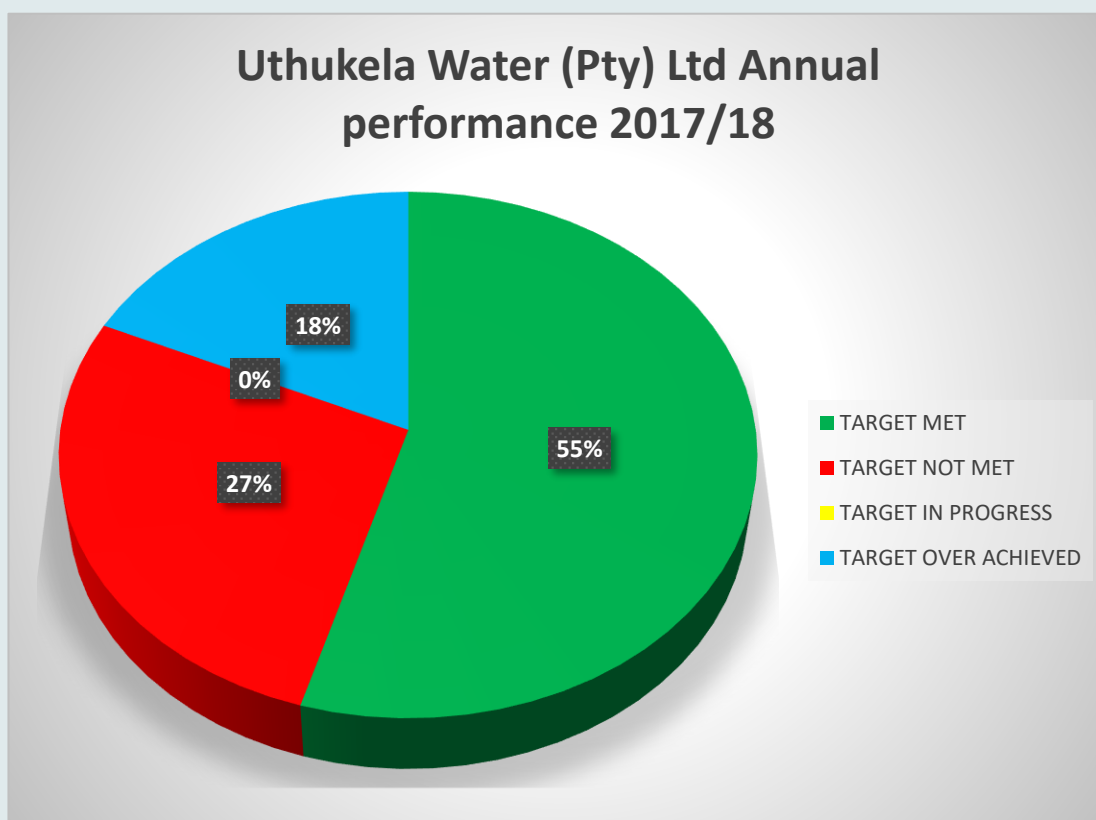
The following is a high- level dashboard assessment of the performance for the 2017/18 financial year :

	TARGET MET	TARGET NOT MET	TARGET IN PROGRESS	TARGET OVER ACHIEVED	TOTAL APPLICABLE KPI'S
Annual performance	6	3	0	2	11
	55%	27%	0%	18%	

Of the 11 targets 8 or 73% was met with 18% overachieved . 27% of targets were not achieved.

Of these are Uthukela water are required to ensure that evidence to support MFMA and other legislative compliance is being met. Furthermore – the Entity and the Municipality are required to follow up on recommendations to consider the feasibility study on the regional bulkwater master plan.

The self assessment by UThukela water on its Annual Performance Report is noted.



Detailed Audited Annual Performance Report is included as Appendix 2

CHAPTER 6

AUDITOR GENERAL REPORT

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON NEWCASTLE MUNICIPALITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Newcastle municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget information with actual information as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newcastle Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for opinion

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

EMPHASIS OF MATTERS

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

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2018.

UNCERTAINTY RELATING TO THE FUTURE OUTCOME OF EXCEPTIONAL LITIGATION

8. As disclosed in note 41 to the financial statements, various legal claims were lodged against the municipality. The ultimate outcome of these claims was not determinable at year-end, hence the financial statements did not include any liabilities that could have resulted from them.

MATERIAL DEBT IMPAIRMENTS AND LOSSES

9. As disclosed in note 34 to the financial statements, material losses of R177,93 million (2016-17: R69,52 million) was incurred as a result of an impairment of consumer debtors.
10. As disclosed in note 53 to the financial statements, material water losses of R45,49 million (2016-2017: R 31,99 million) was incurred, which represents 48.9% (2016-2017: 44.2%) of total water purchased. Losses incurred were due to leaks, burst pipes, illegal connections, meter inaccuracies and errors in manual reading and capturing of readings from meters.

OTHER MATTER

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

Unaudited disclosure notes

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

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

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

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected objective presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
18. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated

the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Objective	Pages in the annual performance report
Objective 2: basic service delivery and infrastructure	x – x

20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

BASIC SERVICE DELIVERY AND INFRASTRUCTURE

NUMBER OF BUSINESS PLANS SUBMITTED FOR FUNDING FOR THE COMPILATION OF COMPREHENSIVE INFRASTRUCTURE MASTER PLANS (ROADS AND STORM WATER, WATER AND SANITATION)

22. The indicator approved in the Service Delivery and Budget Implementation Plan (SDBIP) was the submission of a business plan to obtain funding for the preparation of the comprehensive infrastructure master plan roads and storm water. However, the indicator reported in the annual performance report was number of business plans submitted for funding for the compilation of comprehensive infrastructure master plans (roads and storm water, water and sanitation).

VARIOUS INDICATORS

23. The method of calculation for achieving the planned indicators listed below was not clearly defined. Additionally, the municipality did not report on the achievement for these indicators as it did not have adequate processes to validate the baseline of the targets. As a result, I was unable to obtain sufficient appropriate audit evidence for the indicators listed below. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of these targets. This was due to limitations on the scope of my work.

Indicator number	Indicator description
OSCBS004	Percentage of households with access to a basic level of water
OSCBS005	Percentage of households with access to a basic level of sanitation
OSCBS009	The percentage of households with access to basic level of solid waste removal
OSCBS016	Percentage of households with access to a basic level of electricity

OTHER MATTERS

24. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

25. The annual performance report on pages ... to ... includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 26 and 27 of this report.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information

of the basic service delivery and infrastructure objective. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material findings on compliance with specific matters in key legislation are as follows:

FINANCIAL STATEMENTS

29. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

PROCUREMENT AND CONTRACT MANAGEMENT

30. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by municipal supply chain management (MSCM) regulation 17(a) and (c).
31. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by MSCM regulation 13(c).
32. Awards were made to providers who were in the service of other state institutions in contravention of MFMA section 112(j) and MSCM regulation 44. Similar awards were identified in the previous year.

33. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by MSCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCM regulation 36(1).
34. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board (CIDB) regulations 17 and 25(7A).
35. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content, as required by regulation 8(2) of the preferential procurement regulations of 2017.
36. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content, as required by the preferential procurement regulations of 2017. Similar non-compliance was also reported in the prior year.
37. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by regulation 8(2) of the preferential procurement regulations of 2017.

EXPENDITURE MANAGEMENT

38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
39. Reasonable steps were not taken to prevent unauthorised expenditure of R124,18 million, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by incorrect budgeting of employee costs, contracted services and general expenses.
40. Reasonable steps were not taken to prevent irregular expenditure of R95,69 million as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with procurement legislation.
41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R8,48 million, as disclosed in note 49 to the annual financial statements, in contravention of

section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by late payments on expenditure.

CONSEQUENCE MANAGEMENT

42. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.

OTHER INFORMATION

43. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

44. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

45. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

46. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

48. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

49. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with legislation. The prior year action plan was not timeously implemented to ensure that repeat findings were avoided. In this regard, the accounting officer did not design appropriate policies and procedures to support the achievement of credible performance and financial reporting and compliance with legislative requirements. Management did not diligently undertake routine monthly reconciliations and reviews, to support amounts reported in the financial statements and the annual performance report. Furthermore, there was no proper systems and processes and formal standard operating procedures in place to enable reliable reporting of key service delivery indicators included in the annual performance report. This was due to management not fully understanding the requirements of the financial and performance reporting framework.

OTHER REPORTS

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

INVESTIGATIONS

51. An independent consultant has commenced with an investigation in February 2018 into reviews of the Supply chain management quotations process covering the 2016-17 financial period. These proceedings were in progress at the date of this auditor's report.

Pietermaritzburg

30 November 2018

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Newcastle Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the

related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

MANAGEMENT ACTION PLAN TO AG REPORT

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
Emphasis of matter				
7	Restatement of corresponding figures As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2018.	Management shall strengthen monthly financial discipline by ensuring monthly preparation of AFS and S71 reports. The interim (half-yearly) financial statements shall also be prepared and review by management in order to reduce any possible errors during the year.	Ongoing	Director: Budget and Financial Report.
8	Uncertainty relating to the future outcome of exceptional litigation As disclosed in note 41 to the financial statements, various legal claims were lodged against the municipality. The ultimate outcome of these claims was not determinable at year-end,	Legal services unit will calculate the estimates based on pending civil lawsuits damages against the municipality in order make provision for liability in this regard, and then apply the	31 March 2019	Acting: MM

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
	hence the financial statements did not include any liabilities that could have resulted from them.	same principle going forward.		
9	Material debt impairments and losses As disclosed in note 34 to the financial statements , material losses of R177,93 million (2016-17: R69,52 million) was incurred as a result of an impairment of consumer debtors.	The Municipality has embarked on an community outreach program which involves the setting up of satellite offices at schools, malls, hospitals and places of work. The emphasis is to bring services closer to the community and consumers are encouraged to pay the monthly municipal bill by taking advantage of the incentive schemes in place. The program started in August 2018 and will be an ongoing program with an emphasis to increase the payment factor in the Easter	The program has already started and will be ongoing.	Director: Financial Management

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
		Region where the payment factor is as low as 12%.		
10	As disclosed in note 53 to the financial statements, material water losses of R45,49 million (2016-2017: R 31,99 million) was incurred, which represents 48.9% (2016-2017: 44.2%) of total water purchased. Losses incurred were due to leaks, burst pipes, illegal connections, meter inaccuracies and errors in manual reading and capturing of readings from meters.	<p>Various water interventions programs are commissioned by the Municipality aimed to improve water losses crisis, which includes the following:</p> <ul style="list-style-type: none"> ❑ Water losses through leaks (retrofitting), ❑ Pressure Management and Water Supply Zoning, ❑ Water Pipe replacements, ❑ New water connections and distribution.(stand pipes, yard connections) 	Ongoing programme.	SED & Director Water
Basic service delivery and Infrastructure				

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
22	<p>Number of business plans submitted for funding for the compilation of comprehensive infrastructure master plans (roads and storm water, water and sanitation)</p> <p>The indicator approved in the Service Delivery and Budget Implementation Plan (SDBIP) was the submission of a business plan to obtain funding for the preparation of the comprehensive infrastructure master plan roads and storm water . However, the indicator reported in the annual performance report was number of business plans submitted for funding for the compilation of comprehensive infrastructure master plans (roads and storm water , water and sanitation)</p>	To ensure that annual and quarterly targets reconcile	01 March 2019	Manager : M & E / KPI Owners
23	<p>Various indicators</p> <p>The method of calculation for achieving the planned indicators listed below was not clearly</p>	(a) To customise KPI's by identifying credible sources of evidence that is verifiable and measurable	01 March 2019	SED : Technical Services & Community Services

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official								
	<p>defined. Additionally, the municipality did not report on the achievement for these indicators as it did not have adequate processes to validate the baseline of the targets. As a result, I was unable to obtain sufficient appropriate audit evidence for the indicators listed below. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of these targets. This was due to limitations on the scope of my work.</p>											
		(b) To compile standard operating procedures and KPI definitions aligned to the KPI	01 March 2019	SED : Technical Services & Community Services								
	<table><tr><th>Indicator number</th><th>Indicator description</th></tr><tr><td>OSCBS004</td><td>Percentage of households with access to a basic level of water</td></tr><tr><td>OSCBS005</td><td>Percentage of households with access to a basic level of sanitation</td></tr><tr><td>OSCBS009</td><td>The percentage of households with access to basic level of solid waste removal</td></tr></table>	Indicator number	Indicator description	OSCBS004	Percentage of households with access to a basic level of water	OSCBS005	Percentage of households with access to a basic level of sanitation	OSCBS009	The percentage of households with access to basic level of solid waste removal			
Indicator number	Indicator description											
OSCBS004	Percentage of households with access to a basic level of water											
OSCBS005	Percentage of households with access to a basic level of sanitation											
OSCBS009	The percentage of households with access to basic level of solid waste removal											

No.	Issues Raised by AG		Management Action plan	Target date	Responsible Official
	OSCBS016	Percentage of households with access to a basic level of electricity			
Other Matters					
29	Financial statements The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit		Management shall strengthen monthly financial discipline by ensuring monthly preparation of AFS and S71 reports. The interim (half-yearly) financial statements shall also be prepared and review by management in order to reduce any possible errors during the year.	Ongoing	Director: Budget and Financial Report.

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
30	Procurement and contract management Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by municipal supply chain management (MSCM) regulation 17(a) and (c).	To monitor the implementation of the checklist for quotations that is already in place.	On going	Director: SCM
31	Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by MSCM regulation 13(c).	To implement a requirement for a declaration of interest for all quotations.	31 January 2019	Director: SCM
32	Awards were made to providers who were in the service of other state institutions in contravention of MFMA section 112U) and MSCM regulation 44. Similar awards were identified in the previous year.	To put measures to ensure that only CSD registered suppliers are contracted.	31 Jan. 2019	Director: SCM

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
33	Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by MSCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCM regulation 36(1).	To design and implement a checklist for all deviations to ensure compliance with MSCM Regulation 36(1)	31 Jan. 2019	Director: SCM
34	Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board (CIDB) regulations 17 and 25(7A).	To design and implement a checklist for all deviations to ensure compliance with Construction Industry Development Board (CIDB) regulations 17 and 25(7A).	31 Jan. 2019	Director: SCM
35	Some of the bid documentation for procurement of commodities designated for local content and	To design and implement a checklist for all deviations	31 Jan. 2019	Director: SCM

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
	production, did not stipulated the minimum threshold for local production and content, as required by regulation 8(2) of the preferential procurement regulations of 2017.	to ensure compliance with regulation 8(2) of the preferential procurement regulations of 2017 .		
36	Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content, as required by the preferential procurement regulations of 2017. Similar non-compliance was also reported in the prior year.	To design and implement a checklist for all deviations to ensure compliance with regulation 8(2) of the preferential procurement regulations of 2017 .	31 Jan. 2019	Director: SCM
37	Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and	To design and implement a checklist for all deviations to ensure compliance with regulation 8(2) of the	31 Jan. 2019	Director: SCM

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
	content , as required by regulation 8(2) of the preferential procurement regulations of 2017.	preferential procurement regulations of 2017 .		
38	Expenditure Management Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	(a)Strategies are in place to aggressively collect revenue in order to improve cash flow and in turn ensure that services rendered are paid for in time.	Immediately and Ongoing	Directors: Financial Management and Expenditure and RES
		(b) A central depository for the submission of invoices has been established within SCM Unit to ensure that invoices received are recorded and monitored properly.	Immediately and Ongoing	Director: SCM
39	Reasonable steps were not taken to prevent unauthorised expenditure of R124,18 million, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d)	Through adjustments budget, ensure that the budget for employee costs and contracted services is in line with the actual expenditure. Implement cost	31 March 2019	Director: Budget and Financial Reporting

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
	of the MFMA. The majority of the unauthorised expenditure was caused by incorrect budgeting of employee costs, contracted services and general expenses.	containment measures as per MFMA Circular 82.		
40	Reasonable steps were not taken to prevent irregular expenditure of R95,69 million as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with procurement legislation.	Ensure the proper compliance with the procurement process to the SCM policy to be workshopped to effective user departments.	31 March 2019	Director: SCM
41	Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R8,48 million, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by late payments on expenditure.	Ensure that all purchase orders issued are supported by evidentiary documentation indicating that supply chain management processes as established by the SCM policy were complied with, valid contracts, rotation of suppliers, etc.	Immediately and ongoing	Director: SCM

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
42	Consequence management Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.	(a) Ensure that all purchase orders issues are supported by evidentiary documentation indicating that supply chain management processes as established by the SCM policy were complied with, this should limit the occurrence of irregular expenditure	Immediately and ongoing	Director: SCM
		(b) Investigate and report all instances unauthorised, irregular, fruitless and wasteful expenditure in line with the provisions of section 32 of the MFMA.	30 April 2019	Director: SCM
49	Internal control deficiencies Leadership did not exercise adequate oversight responsibility regarding financial and	To compile standard operating procedures and KPI definitions aligned to the KPI	01 March 2019	ALL SED's

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official
	<p>performance reporting and compliance with legislation. The prior year action plan was not timeously implemented to ensure that repeat findings were avoided. In this regard, the accounting officer did not design appropriate policies and procedures to support the achievement of credible performance and financial reporting and compliance with legislative requirements. Management did not diligently undertake routine monthly reconciliations and reviews, to support amounts reported in the financial statements and the annual performance report. Furthermore, there was no proper systems and processes and formal standard operating procedures in place to enable reliable reporting of key service delivery indicators included in the annual performance report. This was due to management not fully understanding the requirements of the financial and performance reporting framework.</p>			

No.	Issues Raised by AG	Management Action plan	Target date	Responsible Official

CHAPTER 7

AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 2018.

The Audit Committee (AC) of Newcastle Municipality was established by Municipal Council in accordance with section 166 (1) of the Municipal Finance Management Act (MFMA).

The Audit Committee operates as an independent advisory body to the Council, Political Office bearers, Accounting Officer, Management and staff, thereby assisting Council in its oversight role. The role, functions, and authority of the Audit Committee are prescribed in terms of section 166 (2) of the Act and section 94 (7)(f) of the Companies Act read with MFMA Circular 65, Treasury regulations, National Treasury Internal Audit Framework, National Treasury Public Sector Risk Management Framework, Kwa-Zulu Natal Provincial Treasury Risk Management Framework for Municipalities and Municipal Entities and all applicable legislation and treasury regulations.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee also serves as a Risk Committee and Performance Committee in addition to its duties as the Audit Committee. This is in order to enhance integrated risk oversight and Council capacity to see a single point of entry on risk issues, improve risk mitigation responses, effectiveness of governance processes, compliance and internal controls.

A total of 6 audit committee meetings were held during the 2017/2018 financial year. The contract of the audit committee ended on the 31 December 2017 and a new committee was appointed by Council on the 28 February 2018. The committee reviewed interim annual financial statements, annual financial statements, effectiveness of internal controls, risk oversight and good governance.

The Audit Committee consisted of the members listed hereunder for the 2017/2018 financial year:

Period – July 2017- December 2017

Members	Appointed	End of Term	Meetings Attended	
			Audit Committee	
			Scheduled	Attended
Mr. Andile Jordan (Chairperson)	1/01/2015	31/12/2017	3	3
Mr. Sibusiso Majola	1/01/2015	31/12/2017	3	1
Mr. Bryant Madliwa	1/01/2015	31/12/2017	3	3
Mrs. Brenda Molefe	1/01/2015	31/12/2017	3	2
Mr Leo Quayle	1/01/2015	31/12/2017	3	1

Period: February 2018- June 2018

Members	Appointed	End of Term	Meetings Attended	
			Audit Committee	
			Scheduled	Attended
Mr. Themba Radebe (Chairperson)	28/02/2018	28/02/2021	3	3
Mr. Rabelani Tshimomola	28/02/2018	28/02/2021	3	2

Mr. Yaasir Haffejee	28/02/2018	28/02/2021	3	2
Ms. Simangele Ngcobo	28/02/2018	28/02/2021	3	2
Ms. Zanele Nkosi	28/02/2018	28/02/2021	3	1

In addition, Chairperson of the Audit Committee attended one (1) council meeting to present report of audit committee for the third and fourth quarter of 2017/18 financial period.

AUDIT COMMITTEE LEGISLATIVE ROLES AND RESPONSIBILITIES

Section 166(2) prescribes that an Audit Committee is an independent advisory body which must advise the municipal council, political office bearers, the accounting officer and the management staff of the municipality or board of directors, the accounting officer and the management staff of the municipal entity on the matters relating to: -

- Internal financial control and internal audits;
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting, records and information;
- Performance management;
- Effective governance;
- Compliance with Municipal Finance Management Act, the annual Division of Revenue Act and any other applicable legislation;
- Performance evaluation;
- Review the annual financial statements to provide council of the municipality or in the case of the municipal entity, the council of the parent municipality and the board of directors of the entity, with the authoritative and credible view of the financial position of the municipality or the municipal entity, its efficiency and effectiveness and its overall level of compliance with the Municipal Finance Management Act, the annual Division of Revenue Act and any other applicable legislation;
- Respond to the council on any other issues raised by the Auditor-General in the audit report;
- Carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may require;
- Perform such other functions as may be prescribed;
- Liaise with internal audit unit of the municipality;
- Liaise with the person designated by the Auditor-General to audit the financial statements of the municipality of municipal entity; and
- Make submissions to the Council, Executive Committee (EXCO) and Municipal Public Accounts Committee (MPAC), on any matters which in the opinion of the Committee

needed to be brought to the attention of the oversight structures, emanating from its quarterly meetings;

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee has adopted formal terms of reference, *herein after referred to as the Charter*, which was presented, deliberated upon and recommended for final approval by Municipal Council. The audit committee has executed its functions in accordance with its 2017/18 annual plan.

The Audit Committee Charter is to be reviewed and amended annually by Audit Committee members and approved for authorization by EXCO and municipal Council. This charter is the foundation of the audit Committee work plan together with legislative compliance universe crafted from local government legislative framework.

EFFECTIVENESS OF INTERNAL CONTROLS

The systems of internal control are the legislated responsibility of the accounting officer and executive management in line with requirements of MFMA, principles of King IV Report on Corporate Governance read with National Treasury Internal Audit Framework, MFMA Circular 65, International Standards for the Professional Practice of Internal Auditing and applicable national and provincial treasury regulations.

During its meetings, the Audit Committee reviewed the adequacy and effectiveness of the system of internal financial control through the Internal Audit assurance. From the various Internal Audits (monthly, quarterly and bi-annual) and Auditor-General management reports, it was noted that material matters were reported that indicated material deficiency in the system of internal controls.

The conclusion of the Audit Committee is that the system of internal control over the financial reporting for the period under review was inadequate, in some instances inefficient and ineffective. Thus not operating as intended but gradually improving as indicated by the following remaining concerns raised by both audit committee, internal and external auditors

- The AC recommended that, council and management minimize delays in appointment of key strategic positions like SEDs or Directors and consider developing a strategic succession plan and potential successors/pools for strategic posts of SEDs, Directors and Senior Managers to ensure continuity and mitigate against prolonged vacancy of strategic positions;
- The audit committee is pleased with the municipal debt collection strategy but commended the management to improve the strategy to incorporate revenue enhancement;
- Management is encouraged to resolve majority of unresolved Auditor General and Internal Audit findings for both prior year and 2017/18 financial year through developing action plans for quarterly monitoring;
- Management is urged to swiftly develop and implement 5 year infrastructure master plan that will incorporate the water and electricity revenue loss strategy to reduce losses to an acceptable and prescribed National Treasury level of 30%;
- Management is requested to reduce unauthorized, fruitless and wasteful expenditure while ensuring adequate investigation of prior year and implementation of corrective measures and appropriate consequence management;
- Audit Committee advised the managements to urgently develop a cost review and reduction strategy that is target and time bound to minimize the increasing costs. The audit committee noted that, budget management is complete inadequate as management does not make use of monthly Section 71 to early dictate and monitor budget;
- Audit committee recommends that management implement effective demand management, acquisition management and contract management to minimize non-compliance with SCM prescripts and ensure payment of suppliers within 30 days;
- The Audit Committee requested the municipality to speed up the appointment of Disciplinary Board to oversee matters of financial misconduct as well as the implementation of consequence management and recommendations;
- Management is commended to increased effort towards consolidation, integration, review and implementation of the ICT Governance strategy, framework, policies, procedures and internal controls seamlessly across the municipal Chief Information Officer to mitigate and eliminate deficiency in ICT;
- Audit Committee requested management to urgently develop and implement health and safety framework and procedures to ensure compliance with standards and employee wellness.

PREDETERMINED OBJECTIVES, PERFORMANCE MANAGEMENT AND EVALUATION

The Audit Committee has reviewed quarterly performance information as reported by the municipality at quarterly audit committee meetings throughout the year. The performance information quarterly reports were reviewed and audited by internal audit for verification,

assurance and enhancement recommendation before being submitted to the Audit Committee for deliberation and recommendation.

The Audit Committee was seriously dissatisfied with the quarterly performance information reported as internal audit findings were not addressed from prior year and through-out the 2017/18 financial year while majority of targets were not achieved at year-end.

The Audit Committee recommended the following to management to improve the status of performance management:

- Performance information be completely review during the mid-term budget adjustment to ensure KPIs have appropriate definition or description and meet SMART principle;
- Management to implement controls on monthly, quarterly and mid-terms to be able assess all performance information to ensure that is complete, accurate, reliable and relevant;
- Management to speedily implement Individual Performance Management System at least at management level to assist with accountability, responsibility and consequence management to ensure achievement of organization KPIs.

The Audit Committee was completely dissatisfied with operation, monitoring and evaluation of the performance management system during the financial year under review.

RISK MANAGEMENT AND GOVERNANCE

The municipal risk maturity level is considered to be very immature and management is encouraged to explore further avenues that will assist with the achievement of desired risk maturity levels. This is further compounded by lack of an appointed CRO and combined risk assurance and by the fact that Risk Management Committees is not operating as intended resulting in delays in the implementation of risk mitigation strategies by Risk Owners.

The audit committee recommended that, the management and council should:

- Municipal Management as Risk Owners must take full charge of the entire risk managing process or ownership, management and reporting of risk with regards to identification, assessment, management control, risk mitigation, directing and guiding development and implementation of risk management framework, strategy, policies and procedures.
- Risk owners must demonstrate active risk owner participation at operational levels and ongoing accountability for the management of risks at various risk governance structures;

- Develop and implement organisational wide combined assurance model as recommended in the Treasury Risk Management Framework, internal and audit committee charter;
- Define, quantify and implement risk appetite supported by vigorous analysis, expert judgement and consistent with materiality and significance framework;
- Define, quantify and implement risk tolerance

INTERNAL AUDIT FUNCTION

The internal audit charter, three-year risk based internal audit strategic plan and annual operational plan were developed by Internal Audit in consultation with management and approved by Audit Committee. The Chief Audit Executive reported functionally to the Audit Committee and operationally to the Accounting Officer. The Internal Audit had unrestricted access to the audit committee Chairman and the entire Audit Committee at all times.

The Internal Audit function reports administratively to the Municipal Manager and functionally to the Audit Committee, the Committee is yet to evaluate the effectiveness of Internal Audit, and monitor any possible restrictions that may be imposed on this function and which therefore affects its independence.

All internal audit work as well as quarterly progress reports in accordance with the plan were reviewed and approved by the Audit Committee. Internal Audit attended all Audit Committee meetings and deliberations and presented a summary of the salient findings of all internal audits carried out for the period including management response to recommended corrective action. Internal Audit provided the Audit Committee with assurance on progressive implementation of internal and external audit recommendation as per internal audit and Auditor-General management and audit report.

The Audit Committee is very pleased with the audit plan, scope, coverage, quality and reports of the Internal Audit.

EVALUATION OF FINANCIAL STATEMENTS

The AC appreciated the fact that, the municipality prepared interim financial statements towards addressing both AGSA and Internal Audit findings raised in the prior financial year.

On review of the interim annual financial statements by both internal audit and audit committee, discrepancies were noted, material adjustments were noted as necessary, and certain disclosures were noted as omitted while certain amounts were incompletely disclosed.

The Audit committee also noted findings in the unaudited annual financial statements similar to those identified in the interim financial statements.

The Audit Committee was very concerned by lack of addressing Internal Audit and Audit Committee financial statement findings which re-occurred with the annual financial statements. The Audit Committee stressed the importance of compiling a complete set of interim financial statements with all disclosure notes, provisions, WIP and depreciation calculation in order to address prior year audit findings.

Audit Committee reviewed external audit scope including the extent of co-ordination with and extent of reliance on the work of internal audit. Further reviewed the annual external audit strategic plans, scopes, fees and other compensation;

Reviewed the Auditor-General's audit report on audited annual financial statements, the management report, management's comments on the audited financial statements, noted issues arising out of the audit and engaged Auditor General on matter raised in their audit report;

AUDITOR-GENERAL OF SOUTH AFRICA

Based on processes followed and assurances received from the Auditor-General, nothing has come to the attention of the Audit Committee with regard to any matter impacting on the independence of the External Auditors.

The Audit Committee have met with the Auditor-General to ensure that there are no unresolved issues and that all issues that have come to our attention including subsequent events have been adequately communicated for further control and management towards rectification. The Audit Committee concurs with Auditor-General management report and audit opinion.

CONCLUSION

The Audit Committee would like to thank the Municipal Council, Accounting Officer, Acting Chief Financial Officers, Chief Audit Executive, SEDs and Auditor-General as well as all management and staff for co-operation and support during the year under.

Mr T.L. Radebe

Chairperson

On behalf of the members of the Audit Committee

PROGRESS ON AUDIT COMMITTEE RECOMMENDATIONS

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
21.07.2017	8.2	Internal Audit report : Performance information : Quarter 2 : 2016/2017	That the checklist be signed by the KPA owners and used by PMS for monitoring performance information.	ALL KPI OWNERS / PMS OFFICIALS	Executed
21.07.2017	7.1	Audit Committee Resolution Register	That PMS submit a list of departments that are not complying with the signing of the checklist to the Audit Committee	Manager: M & E	Report to be submitted to next Audit Committee meeting
21.07.2017	7.1	Audit Committee Resolution Register	that the matter on non-filling of vacancies at management level be factored into the Audit Committee report to Council	CAE	Executed
21.07.2017	7.1	Audit Committee Resolution Register	that all executed resolutions be excluded on the resolution register	CAE	Executed
21.07.2017	8.1	Policy Framework For PMS 2017/2018	That audited reports to Council are compiled by PMS but the	Manager: M & E	Executed

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
			custodian of the information is the responsibility of SED's. Monitoring and Evaluation unit assist SED's in providing the required information for audits		
21.07.2017	8.1	Policy Framework For PMS 2017/2018	That a plan, clearly defining the roles and processes of the Internal Audit and Performance Management, be submitted at the next Audit Committee meeting	Manager : M & E & CAE	Report to be submitted to the next Audit Committee
21.07.2017	8.3	Performance Report : Quarter 3 : 2016/2017	That the organisational scorecards be submitted to audit committee.	Manager : M & E	Executed
29.08.2017	5.1	Internal Audit report : 2016/2017 draft APR	All internal audit findings be addressed prior to submission to the AG.	CAE	Executed
29.08.2017	5.3	Internal Audit annual plan 2017/2018 and progress report on 2016/2017 Internal Audit plan	Monitoring of service providers be included under the scope of work for the	CAE	

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
			follow up on SCM audit.		
29.08.2017	5.1	Internal Audit report : 2016/2017 DRAFT AFS	<p>Audit committee recommendation of the AFS for submission to the AG is conditional subject to:</p> <p>(a) BTO address all the finding raised by internal audit and audit committee. The adjusted AFS with supporting documentation be submitted to internal audit for review.</p> <p>(b) Internal audit review the adjusted AFS and confirm by e-mail and sms that management have addressed the internal audit findings on</p>	<p>CFO</p> <p>CAE</p>	Executed

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
			the AFS and the issues raised by the audit committee.		
29.08.2017	5.3	Internal Audit Report - Follow-up on Auditor-General 2015/2016 Report	<ul style="list-style-type: none"> Management must address AG findings early on in quarter 3 so that progress can be followed by internal audit in q3 and q4. Management liaise with AG where there are disagreements so that common ground is found and the issues are addressed. These issues to be also brought to the audit committee's attention early on. 	CFO	Executed

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
29.08.2017	5.4	Treasury Evaluation of Internal Audit and Audit Committee	That internal audit develop an action plan to address the issue of treasury findings and the action plan be presented at the next audit committee meeting.	CAE	Executed
13.04.2018	6.3	Summary of financial performance to date and Auditor-General audit outcome past 3 years	That a detailed report regarding debt owed by government departments and business be submitted by BTO at the next Audit Committee meeting;	CFO	Executed
13.04.2018	6.3	Summary of financial performance to date and Auditor-General audit outcome past 3 years	that upon completion of the overtime investigation, a report be submitted to the Audit Committee;	SED: Corporate Services	Executed. The final report on overtime investigation was submitted to the Municipal Manager. We believe the report has to be presented to the Audit Committee by the Municipal Manager. We can provide the copy of the

MEETING DATE	ITEM NO.	ITEMS FOR DISCUSSION	RESOLUTION	RESPONSIBILITY	STATUS
					report if required.
13.04.2018	6.3	Summary of financial performance to date and Auditor-General audit outcome past 3 years	that a report on all the Municipal conditional grants be submitted at the Audit Committee meeting.	CFO	Executed
13.04.2018	7.3	Internal Audit report : Follow-up on Supply Chain Management	That the Municipality consider developing a succession plan for positions below Strategic Executive Directors;	SED: Corporate Services	Executed - Note should be taken that succession plan is part of the Workplace Skills Plan
13.04.2018	7.3	Internal Audit report : Follow-up on Supply Chain Management	that upon completion a report on the forensic investigation on tenders below R30 000 be submitted to the Audit Committee for further discussion.	CAE	In progress-the report is still in draft and not yet finalised by the service provider.

CHAPTER 8

ANNUAL REPORT OF THE MUNICIPAL ENTITY

Refer to Appendix 3

CHAPTER 9

ASSESSMENT BY THE ACCOUNTING OFFICER OF ANY ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES & AN ASSESSMENT BY THE MUNICIPALITY'S ACCOUNTING OFFICER OF THE MUNICIPALITY'S PERFORMANCE FOR REVENUE COLLECTION FROM EACH REVENUE SOURCE IN THE APPROVED BUDGET

Historically over 75% of our book debt lies in the 360 days and older category and almost 90% of this debt is owed by individuals. This trend continues for the year under review as well. Hence the focus of our collections is to increase the payment factor of debt owed by individuals.

The average payment factor for the year under review was 73.07%. However the payment factor per service is as follows:

Electricity	86%
Water	50%
Sewer	49%
Refuse	65%
Rates	71%

South African Calcium Carbide (SACC), one of our largest consumers of electricity started experiencing financial difficulties late in 2017. This resulted in the company being unable to pay their monthly municipal bill, which averages at approximately R14 million rand per month, from October 2017.

The company then entered a Business Rescue program on 16 January 2018, at this date the company owed the Municipality an amount of R 50 394 388. The moratorium imposed by

section 133 of the Companies Act prohibits any legal proceedings, including enforcement action, against the Company, or in relation to any property belonging to the Company or lawfully in its possession, from being commenced or proceeded with for the duration of the Business Rescue Proceedings. This moratorium effectively meant that we are unable to implement our debt collection processes to collect the amount outstanding on the date the company entered into the business rescue program, that being 16 January 2018. This resulted in a decrease on the collection of electricity service from 95% to 86% for the 2017/2018 financial year.

The Newcastle Municipality has been burdened by a culture of non-payment for services resulting in generally low collection rates and increasing debtors' balances. Improving the current collection rate is crucial for the financial sustainability of the Municipality. A stable balance sheet is critical to eradicate backlogs in basic service delivery and to support and facilitate economic development.

The budget of the Municipality is funded by the revenue that is collected on a monthly basis from paying customers. The provision of basic municipal services is derived from this budget. Therefore these services cannot be rendered or maintained if customers do not pay regularly for the services. Basic services include but are not limited to refuse bags, treatment of water to ensure that the citizens of Newcastle have access to clean drinking water, and payments made to Eskom in respect of electricity. It should be noted that all these costs are not funded by government grants as is commonly misconceived.

When consumers do not pay their municipal bills it becomes very difficult for the Municipality to deliver basic services to the community. The difference between what is being billed and what is being received indicates that the Municipality has an approximate shortfall of R25 million every month. This makes it difficult for the Municipality to deliver basic services to the community and to sustain its own operations. Our aim is to address this shortfall.

The payment factor in areas where we supply electricity is on average 93%. In the areas where we do not supply electricity it is on average between 8% and 25%. Our objective is to improve the payment factor in these defaulting areas by implementing effective credit control processes which include the provision of incentive schemes to encourage payment of municipal bills.

The only way to improve the payment factor is for defaulting consumers to pay their monthly bills. Most of these consumers are reluctant to pay their current Municipal bills as they have large amounts of previous outstanding debt. A strategy needs to be implemented that allows these consumers to pay their current debt without having the burden of the previous debt. A culture of paying monthly municipal bills has to be inculcated into our community. This

initiative will help us improve the payment factor and therefore improving our cash flow so that we are able to render basic service delivery to the community.

Various incentive schemes, with a view to increase the payment factor were adopted by Council on 02 May 2018. The next phase was to communicate these incentive schemes to the community so that they could take advantage of the schemes.

We understand that the working class community in particular find it difficult to come to the Municipality to address certain queries or issues that they may have, as our office hours are during their working hours. It is for this reason that the Municipality, the Budget and Treasury Office in particular decided to embark on this program (from 17 August 2018) as a way of getting closer to our community, the people we serve. We started setting up mobile offices at strategic venues including hospitals, malls and schools and addressed the following:

Billing queries

Incentive schemes in place

Meter related queries (leaking / faulty meters)

Methods of making payment

Explanation of how the municipal bill works

Importance of paying municipal bills

Indigent applications

We will be accelerating these outreach program at schools in January 2019 as the teachers are busy with examinations at this time of the year and it is difficult to arrange meetings for this reason. We have installed four billboards at strategic entrances of the town advertising the incentive schemes as a way of increasing consumer awareness to take advantage of these schemes.

The results of the implementation of this outreach program has been encouraging and there has been an upward trend of the payment factor since the start of the program. We will therefore continue with the outreach program in 2018/2019 and are confident that the program will yield even better results.

The following measures are also followed in order to increase collections: -

Issuing of SMS advising amount owing to the Municipality

Listing of bad payers on the credit bureau

Calling debtors to advise amounts owing and payment plans

CHAPTER 10

Table 6: Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework

Project Title (<i>as per MIG 1 form</i>)	Total (2017/18)	Total Projected 2018/19	Total Projected 2019/20
Project Title (as per MIG 1 form)	Total (2017/18)	Total Projected 2018/19	Total Projected 2019/20
MADADENI URBAN ACCESS ROADS PHASE 3	3 034 501,00	28 501 580,29	26 500 000,00
OSIZWENI URBAN ACCESS ROADS PHASE 4	2 920 583,00	28 730 419,71	16 000 000,00
PIPE REPLACEMENT AND UPGRADE PROJECT	9 489 000,00	8 500 000,00	15 000 000,00
MADADENI WWTP	32 714 999,00	15 000 000,00	25 000 000,00
BLAAUWBOSCH BULK WATER PROJECT	2 500 000,00	9 000 000,00	9 915 000,00
NGAGANE BULK WATER SUPPLY PROJECT	10 000 000,00	4 000 000,00	17 000 000,00
EMERGENCY UPGRADE OF NGAGANE WATER PURIFICATION PLANT AND ASSOCIATED INFRASTRUCTURE	15 000 000,00	9 000 000,00	-
PROVISION OF BASIC SANITATION SERVICES AT JOHNSTON, BLAAUWBOSCH AND CARVEN	29 164 998,00	3 000 000,00	3 165 000,00
PROVISION OF BASIC SANITATION SERVICES AT NORMANDIEN, INGOGO AND CHARLESTOWN	-	4 500 000,00	-
SIYAPHLALA LA BULK SEWER	8 344 919,00		
NCANDU SEWAGE PUMP STATION	455 000,00		
STAFFORDHILL WATERBORNE SEWAGE	980 000 00		

VOLUME 2- DEPARTMENTAL OVERVIEW

Attached as Volume 2