



KWAZULU-NATAL PROVINCE
KWAZULU-NATAL PROVINSIE
ISIFUNDAZWE SA KWAZULU-NATALI

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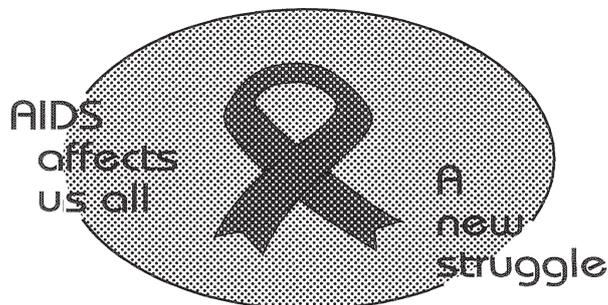
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PROVINCIAL NOTICES • PROVINSIALE KENNISGEWINGS

PROVINCIAL NOTICE 30 OF 2019**DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS****CONSOLIDATED ANNUAL MUNICIPAL PERFORMANCE REPORT 2016/2017: PROVINCE OF KWAZULU-NATAL**

The Consolidated Annual Municipal Performance Report 2016/2017: Province of KwaZulu-Natal is published for general information in terms of section 47(2)(c) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

MS N DUBE-NCUBE, MPL

Member of Executive Council of the Province of KwaZulu-Natal
responsible for cooperative governance

PROVINSIALE KENNISGEWING 30 VAN 2019**DEPARTEMENT VAN SAMEWERKENDE REGERING EN TRADISIONELE SAKE****GEKONSOLIDEERDE JAARLIKSE MUNISIPALE WERKVERRIGTINGSVERSLAG 2016/2017: PROVINSIE VAN KWAZULU-NATAL**

Die Gekonsolideerde Jaarlikse Munisipale Werkverrigtingsverslag 2016/2017: Provinsie van KwaZulu-Natal, word vir algemene inligting, ingevolge artikel 47(2)(c) van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet No. 32 van 2000), gepubliseer.

ME. N DUBE-NCUBE, LPW

Lid van die Uitvoerende Raad van die Provinsie van KwaZulu-Natal
verantwoordelik vir samewerkende regering

UMNYANGO WEZOKUBUSA NGOKUBAMBISANA NEZOMDABU**UMBIKO WONYAKA OHLANGANISIWE WOKUSEBENZA KOMASIPALA ESIFUNDAZWENI SAKWAZULU-NATALI KA 2016/2017**

UMbiko woNyaka oHlanganisiwe wokuSebenza koMasipala esiFundazweni saKwaZulu-Natali ka 2016/2017 ushicilela ulwazi lukawonkewonke ngokwesigaba 47(2)(c) soMthetho weziNhlelo zoMasipala ka 2000 (uMthetho No. 32 ka 2000).

NKK. N DUBE-NCUBE

iLungu loMkhandlu oPhethe esiFundazweni saKwaZulu-Natali
elibhekele ezokubusa ngokubambisana

FOREWORD BY MEC TO SECTION 47 REPORT



Ms. Nomusa Dube-Ncube, MPL

**MEC for Cooperative Governance and Traditional Affairs
KwaZulu-Natal**

Local government is a key agent in the delivery of basic services to communities in KZN. As CoGTA, we view our municipalities' progress in delivering water, electricity, and sanitation to communities at a local level with pride while we also intervene without fear or favour wherever municipal performance is less than satisfactory.

Our hands-on approach in dealing with KZN municipalities has taught us that our support programmes must be tailor-made to the specific needs of municipalities and that the correct implementation of local government's mandate for service delivery must sometimes be enforced.

Meeting our long-term developmental goals as a country requires functional municipalities that are able to create and maintain economically viable environments where individuals and communities can fulfil their potential. Our vision of local government institutions in KZN underscores this broad objective.

We have embraced the country's Radical Economic Transformation agenda by ensuring that KZN's local economies are adequately transformed to benefit our previously disadvantaged citizens. In this regard, our municipalities play a crucial role and we as CoGTA offer them unconditional support.

An assessment of the audit reports of municipalities highlights a critical issue of consequence management and whilst my department has undertaken both its support and monitoring role in providing the necessary frameworks and training for municipal officials and councillors, the incidence of unauthorized, irregular, fruitless and wasteful expenditure has not improved.

Given the critical role of my Department and that of the Auditor-General in promoting good financial governance in municipalities through our respective mandates, we are committed as respective organisations to share quarterly oversight reports and hold engagement meetings between CoGTA and the Auditor-General and to share the Status of Records Review at municipalities.

Our commitment to the ongoing Back to Basics programme whose aim is to improve the functioning of municipalities to better serve communities by getting the basics right remains undiminished. To this end, we assess municipal performance in the implementation of the programme regularly and fairly.

Above all, we maintain that if our municipalities are to succeed, high premium should be placed on professionalism, effectiveness, efficiency and adherence to the laws regulating good and clean governance and one has to reward good performance and, at the same time, penalise poor performance. We therefore place a premium on consequence management in every layer of municipal performance. This Section 47 Report, which I now have the pleasure of presenting to the Provincial Legislature, bears this out.

Nomusa Dube-Ncube MPL
KZN MEC FOR COGTA
JULY 2018

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PART A: MAIN REPORT

**In terms of Section 47 of the Municipal
Systems Act, No. 32 of 2000**

FOR THE 2016/2017 FINANCIAL YEAR

1. INTRODUCTION AND LEGISLATIVE PROVISIONS

The purpose of this Consolidated Annual Municipal Performance Report is to report on progress being made by Municipalities towards achieving the overall goal of “a better life for all”. Furthermore, the report serves as a complete and consolidated 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 co-operative governance and responds

The Consolidated Municipal Performance Report is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act No. 32 of 2000 and Chapter 12 of the Municipal Finance Management Act No. 56 of 2003. The Municipal Systems Act prescribes the role of each sphere of government in municipal performance reporting.

Section 46 (1) of the Municipal Systems Act (MSA) 32 of 2000, states that:

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;
- b) A comparison of the performances referred to paragraph (a) against set targets and performances in the previous financial year; and
- c) 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.

Section 47 of the Municipal Systems Act, 32 of 2000, states that:

The MEC for Local Government must annually compile and submit to the Provincial Legislature and the Minister a

Consolidated report on the performance of Municipalities in the Province.

The report must:

- a) Identify Municipalities that under-performed during the year;
- b) Propose remedial action to be taken; and
- c) Be published in the Provincial Gazette.

The MEC for Local Government must submit a copy of the report to the National Council of Provinces.

Based on these legislative provisions, the MEC for Local Government is required to use the information arising from the municipal Section 46 performance reports to consolidate the performance of the municipalities in the province, in line with Section 47 of the MSA, identify municipalities that under-performed, and propose remedial action to be taken in this regard.

As such, this report aims to look at a combination of indicators, which will guide the assessment of the performance of municipalities. These main indicators are the B2B assessment ratings (scores), the latest

Auditor-General outcomes, the latest IDP level of credibility and the level of achievements of targets in the individual Section 46 Annual Performance reports of municipalities.

Based on a combination of these indicators, under-performing municipalities were identified and remedial action is proposed and implemented in line with the general interventions and recommendations for improvement in this report, as well as the B2B Action Plans that will be developed. As the report reflects the consolidated performance of municipalities

The National Development Plan (NDP) aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and reduction of inequality. The core elements of a decent standard of living identified in the Plan are:

Housing, water, electricity and sanitation	Social protection
Safe and reliable public transport	Employment
Quality education and skills development	Recreation and leisure
Safety and security	Clean environment
Quality health care	Adequate nutrition

The planning processes carried out by departments and other government entities play a vital role in bringing the vision and proposals contained in the NDP to life. NDP proposals are being incorporated into the existing activities of departments and broken down into the medium and short-term plans of government at national, provincial and municipal level. The NDP provides the golden thread that brings coherence and consistency to these different plans.

It was against this background that the Back to Basics programme was launched in 2014. The objective of the programme was to institutionalise a performance management system to effect the changes required and develop and implement a set of indicators measuring municipal performance in terms of the 'basics', namely:

- ✓ Putting people first
- ✓ Delivering basic services
- ✓ Good governance
- ✓ Sound financial management
- ✓ Building capacity

The programme is implemented through National, Provincial and Local Government interventions.

The focus areas of implementation are based on the five pillars, with its associated building blocks per indicator as follows:

1.1. PUBLIC PARTICIPATION: PUTTING PEOPLE FIRST

- Municipalities to implement responsive and accountable processes to communities.
- Ward committees must be functional and Councillors must meet and report back to their constituencies quarterly.

- Utilise the CDWs, Ward Committees and Ward Councillors to communicate projects earmarked for implementation.
- Municipalities must communicate their plans to deal with backlogs.
- Municipalities to monitor and act on complaints, petitions and other feedback.

1.2. BASIC SERVICES: CREATING CONDITIONS FOR DECENT LIVING

- Deliver the basic services: Basic electricity, basic water, sanitation, waste removal etc.
- Ensure that services such as cutting grass, patching potholes, working robots and streetlights and consistent refuse removal are provided.
- Council to ensure proper maintenance and immediate addressing of outages or maintenance issues.
- Municipalities must improve mechanisms to deliver new infrastructure at a faster pace whilst adhering to the relevant standards.
- Focus must be placed on the operations and maintenance of existing infrastructure to ensure continuity of service provision.

1.3. GOOD GOVERNANCE

- Municipalities will ensure transparency, accountability and regular engagements with communities.
- All municipal council structures must be functional and meet regularly.
- Functional oversight committees must be in place, e.g. Audit Committee and MPAC's.

1.4. SOUND FINANCIAL MANAGEMENT

- All municipalities must have a functional financial management system which includes rigorous internal controls.
- Cut wasteful expenditure.
- SCM structures and controls with appropriate oversight.
- Cash-backed budgets.
- Post Audit Action Plans are addressed.
- Act decisively against fraud and corruption.
- Supply Chain Management structures in place and functional according to regulations.

1.5. BUILDING CAPABLE INSTITUTIONS AND ADMINISTRATIONS

- Municipalities to enforce competency standards for managers and appoint persons with the requisite skills, expertise and qualifications.
- All staff to sign performance agreements.
- Implement and manage performance management systems.

2. CATERGORISATION OF MUNICIPALITIES

At the onset of the Back to Basics Programme, municipalities have been categorised as Performing Well (Functional), With Potential (Challenged) and Not Doing Well (Requiring Intervention). The Performing Well Category is a defined notion of an ideal municipality, and the content of an acceptable level of performance.

FIGURE 1: CATERGORISATION OF MUNICIPALITIES



3. PERFORMANCE ASSESSMENT OF MUNICIPALITIES

3.1. MUNICIPALITIES THAT HAVE SHOWN GOOD PERFORMANCE

Since the inception of the Back to Basics Programmes in 2014, there has been substantial movement of municipalities in terms of the Back to Basics Categorisation. Three categories are identified for the purpose of determination of support to municipalities, namely Functional, Challenged and Requiring Intervention.. The following are municipalities that have consistently shown satisfactory performance in the implementation of the programme, with particular focus on the 2016/17 financial year, by obtaining Functional category status:

- o uMgungundlovu District Municipality
- o uMzumbe Municipality
- o Okhahlamba Municipality
- o King Cetshwayo District Municipality
- o uMhlathuze Municipality
- o Ubuhlebezwe Municipality
- o eThekweni Metro
- o uMdoni Municipality
- o Ray Nkonyeni Municipality
- o Umshwati Municipality
- o Impendle Municipality
- o Richmond Municipality
- o uThukela District Municipality
- o Alfred Duma Municipality
- o Zululand District Municipality
- o Nongoma Municipality
- o Ulundi Municipality
- o Big Five Hlabisa Municipality
- o Nkandla Municipality
- o Ilembe District Municipality
- o Kwadukuza Municipality
- o Greater Kokstad Municipality

These municipalities are consistently monitored and supported by KZN COGTA to maintain this favourable status and ensure that the functionality translates into service delivery. Standard monitoring and support is continuously provided to these municipalities to assist in ensuring that it can maintain the so-called Functional status.

Municipalities that were recognised for making good progress on the implementation of the B2B Programme during the Back to Basics Launch in February 2017, continues to show good progress and sustained commitment to the objectives of the programme, and includes the following municipalities:

- Umuziwabantu Municipality
- uLundi Municipality
- uMhlabuyalingana Municipality
- uMfolozi Municipality
- Mandeni Municipality

This recognition was determined by the extent to which the municipalities have institutionalized the B2B Programme, its response to monitoring processes, its implementation of the B2B Support Plan and overall co-operation with the programme.

Further to these municipalities that were recognised for good progress at the February 2017 Back to Basics second phase launch, the following municipalities have improved from the “Challenged” category in the 2015-2016 financial year, to the “Functional” category in 2016-2017 financial year, based only on the annualised B2B quarterly assessments:

- uMdoni Municipality
- Impendle Municipality
- Richmond Municipality
- uThukela District Municipality
- Nongoma Municipality
- Nkandla Municipality
- iLembe District Municipality
- KwaDukuza Municipality
- Greater Kokstad Municipality

The **Amajuba District Municipality** has improved from the “Requiring Intervention” category to the “Challenged” category from the 2015-2016 to the 2016-2017 financial years. It is further noticeable that the recently re-demarcated and established **Alfred Duma** and **Big Five Hlabisa** Municipalities received an annual assessment categorization as “Functional”.

The complete B2B assessment outcomes for municipalities in the province are noted under Section 4.2 of this main report.

The successful implementation of the B2B support plans is pivotal in the commendable performance of the above municipalities. Part and parcel of the successful implementation of these support plans is the ongoing monitoring and support that KZN COGTA provides.

3.2. ASSESSMENT IN TERMS OF BACK TO BASICS

With the introduction of the Back to Basics Programme a new assessment tool was developed to assess the B2B programme. This tool contains a number of primary and secondary indicators, consisting of mostly quantitative metrics, but also qualitative information. This B2B quarterly assessment score for the previous financial year (2015-2016) was given a weight of 60 points and the support plans score, based

on progress made in regards to challenges, a weight of 40 points, and this final scores was then utilised to determine the categorisation of the Municipality after a full consideration.

During the financial year under consideration (2016-2017) the methodology for the quarterly determination of categorisation was changed, and the B2B quarterly assessment tool score was used as the foundation for determining categorisation. Once the quarterly scores per municipality was determined, each municipality's individual performance was considered in line with a set of key fundamental indicators to ensure accurate final categorisation. The key fundamental indicators that were considered in determining the final quarterly categorisation are the following:

Key Criteria	Considerations
Validated B2B Action Plan	Non-submission of the quarterly updated and validated B2B Action Plan will result in no final assessment being conducted
Audit Outcome	Adverse and Disclaimers supports justification for a "Requiring Intervention" categorisation, unless the key determinants for the Audit Opinion have been sufficiently addressed and confirmed as such (audit action plan) A Qualified audit opinion will render the municipality as "Challenged", unless the key determinants for the Audit Opinion have been sufficiently addressed and confirmed as such (audit action plan)
Political Stability (leadership)	Any political leadership instability will need to be assessed and would be considered in the final categorisation. Where councils are not meeting due to political instability, key resolutions/decisions are not taken by council or any sign of potential council instability can cause the municipality to be categorised as either "Requiring Intervention" or as "Challenged". Any irregular or irrational decision-making (ongoing or sporadic) can be considered and may impact on the final categorisation
Section 139 Intervention	Regardless of any other categorisation findings and guiding principles, any municipality that is placed under a constitutional section 139 intervention will be categorised as "Requiring Intervention" until the suspension is suspended, where after all the other categorisation factors could still be considered.
Financial Viability and Management	If a municipality is not considered viable as a going concern (bankrupt), it should be regarded as "Requiring Intervention" Irregular management decisions, especially around irregularities in procurement, for which there is substantial and substantiated evidence, coupled with or also irregular, fruitless and wasteful expenditure considerations (each instance should be assessed on its own merits)

The 4 quarterly scores were annualised by determining an average score per municipality for the 2016-2017 financial year. The final annualised score was used as the main determinant for the annual categorisation, but consideration was also given to the key fundamental indicators listed above in determining the final annual categorisation. Based on this approach, the final categorisation per individual municipality for the 2016-2017 financial year is as follows (comparative categorisation for 2015-2016 is also included):

TABLE 1: B2B PERFORMANCE ASSESSMENT OF MUNICIPALITIES

Categorisation (2015 -2016)	Categorisation (2016 -2017)	Movement
Functional		
Challenged	uMdoni	Improved
Functional	Umzumbe	Unchanged
N/A	Ray Nkonyeni	N/A
Functional	uMgungundlovu	Unchanged
Functional	uMshwathi	Unchanged
Challenged	Impendle	Improved
Challenged	Richmond	Improved
Challenged	uThukela	Improved
N/A	Alfred Duma	N/A
Functional	Okhahlamba	Unchanged
Functional	Zululand	Unchanged
Challenged	Nongoma	Improved
Functional	uLundi	Unchanged
N/A	Big five Hlabisa	N/A
Functional	King Cetshwayo	Unchanged
Functional	uMhlathuze	Unchanged
Challenged	Nkandla	Improved
Challenged	iLembe	Improved
Challenged	KwaDukuza	Improved
Challenged	Greater Kokstad	Improved
Functional	Ubuhlebezwe	Unchanged
Functional	eThekwini	Unchanged
Challenged		
Challenged	uMngeni	Unchanged
Challenged	Mkhambathini	Unchanged
Requiring Intervention	Amajuba	Improved
Functional	Newcastle	Regressed
Challenged	uPhongolo	Unchanged
Challenged	uMfolozi	Unchanged
Challenged	uMlalazi	Unchanged
Challenged	Mthonjaneni	Unchanged
Challenged	Mandeni	Unchanged
Challenged	Harry Gwala	Unchanged
Functional	uMzimkhulu	Regressed
Functional	uMhlabuyalingana	Regressed
Challenged	Nquthu (annual B2B score below 50%)	Regressed
Challenged	uMvoti (annual B2B score below 50%)	Regressed
Challenged	eMadlangeni (annual B2B score below 50%)	Regressed
Requiring Intervention	Dannhauser (annual B2B score below 50%)	Unchanged
Requiring Intervention	uMkhanyakude (annual B2B score below 50%)	Unchanged
Requiring Intervention	Jozini (annual B2B score below 50%)	Unchanged
Challenged	Ndwedwe (annual B2B score below 50%)	Regressed
Challenged	Maphumulo (annual B2B score below 50%)	Regressed
Requiring Intervention		
Functional	Ugu (Labour unrest impacting on water services)	Regressed
Challenged	Umuziwabantu (Instability surrounding MM appointment)	Regressed
Requiring Intervention	Mpofana (Section 139 (b) 1 Intervention)	Unchanged
Functional	Msunduzi (Disclaimer AG opinion, financial management instability)	Regressed
Functional	uMzinyathi (Section 139 (b) 1 Intervention)	Regressed
Functional	eNdumeni (Political Instability and decision processes)	Regressed
Functional	Msinga (Political Instability and decision processes)	Regressed

Categorisation (2015 -2016)	Categorisation (2016 -2017)	Movement
Challenged	eDumbe (Governance and financial challenges, discretionary MFMA intervention)	Regressed
Challenged	Abaqulusi (financial distress and management challenges)	Regressed
Requiring Intervention	Mtubatuba (Political Instability impacting on council structures)	Unchanged
N/A	Inkosi Langalibalele (Section 139 (b) 1 Intervention)	N/A
N/A	Dr Nkosazana Dlamini-Zuma (Instability surrounding MM appointment)	N/A

The final categorisation for the 2016-2017 financial year above is based on the overall assessment of municipalities, starting from the Back to Basics annual assessments, taking into consideration the Auditor General findings and the key fundamental indicators, referred to above.

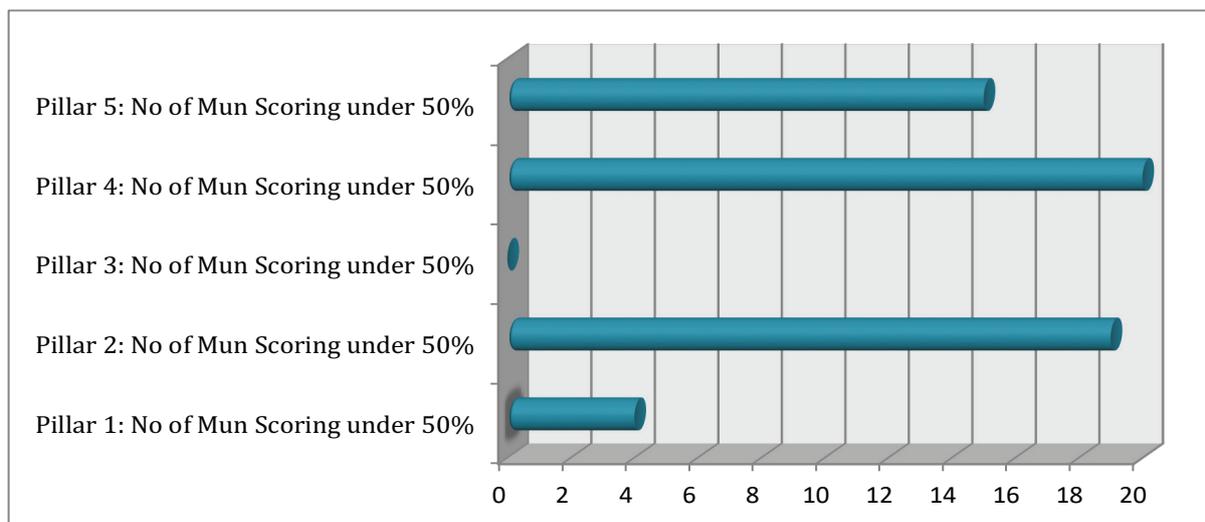
Any change in categorisation change that is caused by a factor outside of the Baseline Back to Basics average annual score, is indicated in brackets next to the applicable municipality.

Although certain municipalities in the above categorisation have scored less than 50% on the average annual B2B categorisation method, they are regarded as challenged based on this, unless there are key fundamental indicators that required special intervention. In these cases, municipalities were categorised as Requiring intervention, for the purpose of this report and to assist with proper adherence to Section 47(1)(b) which requires the MEC to take remedial action for municipalities which under-performed..

As per the legislative requirement in terms of Section 47 of the MSA, that corrective measures must be taken for municipalities that under-performed, the response by COGTA regarding this requirement is detailed under section 5 of this report per B2B pillar and per individual municipality that are in need of intervention.

3.3. ASSESSMENT PER PILLAR

FIGURE 2: ASSESSMENT PER PILLAR



4 out of 44 (excluding districts) municipalities scored less than 50% for targets achieved in Pillar 1. 19 out of 54 municipalities scored less than 50% for targets achieved in Pillar 2. No municipalities scored below 50% for Pillar 3. 20 out of 54 municipalities scored less than 50% for targets achieved in Pillar 4 and 15 out of 54 municipalities scored less than 50% for targets achieved in Pillar 5.

3.4. IDP ASSESSMENT

The adopted 2017/2018 Reviewed IDP were conducted in-house, led by the IDP Coordination Unit. The assessments of the IDPs were conducted in accordance with the following Municipal Key Performance Areas (KPAs):

- Municipal Transformation and Institutional Development;
- Local Economic Development;
- Basic Service Delivery;
- Financial Viability and Management;
- Good Governance and Public Participation; and
- Cross Cutting Interventions, including environmental, disaster management and spatial planning matters.

Individual Municipal assessments were conducted using the adopted Assessment Criteria and IDP Format Guideline. The KPA groups populated the Assessment Template in accordance with the information contained in the adopted IDP documentation. The populated Template also contained comments and recommendations for improvements of the IDPs. Based on the findings of the assessment, the KPA groups scored each IDP per KPA. The highest score per KPA is 5. The scores per KPA were added up and the combined score resulted in the total score of the IDP, which equals the credibility score of the assessed document.

TABLE 2: IDP ASSESSMENT

Municipalities That Scored Above 67% (Top 10 municipalities)	Municipalities That Scored Between 67% And 60%	Municipalities That Scored Between 59% And 50%	Municipalities That Scored less than 50%
uThukela	ENdumeni	Abaqulusi	Amajuba
UMhlatuze	King Cetshwayo	Richmond	Mthonjaneni
eThekwini	Mpofana	Dr. Nkosazana Dlamini Zuma	Big Five Hlabisa
Harry Gwala	UMshwathi	Umuziwabantu	Ndwedwe
iLembe	UMzinyathi	uMvoti	Impendle
Ubuhlebezwe	Mtubatuba	Mkhambathini	eDumbe
uMgungundlovu	Ray Nkonyeni	Dannhauser	
uMhlabuyalingana	KwaDukuza	uMdoni	
uMzimbhulu	Maphumulo	Inkosi Langalibalele	
Umzumbe	Newcastle	Nkandla	
	Mandeni	Nongoma	
	Jozini	eMadlangeni	
	Msunduzi	uMkhanyakude	
	Zululand		
	UMfolozi		
	Umlalazi		
	Alfred Duma		
	Ugu		
	Msinga		
	Okhahlamba		
	Greater Kokstad		
	Ulundi		
	uMngeni		
	uPhongolo		
	Nquthu		

The following municipalities scored less than 50% on its IDP Credibility rating for the final 2017-2018 IDPs:

- Amajuba
- Mthonjaneni
- Big Five Hlabisa
- Ndwedwe
- Impendle
- eDumbe

Resulting from the MEC panel's report, these municipalities scored below the provincial average among other things, the following reasons:

- Non-Compliance with IDP related legislative requirements.
- Lack of Strategic logical, Systematic approach and Professional quality.
- Lack of technical and institutional feasibility of proposed interventions as well as Implementable plan.
- Lack of harmonisation of plans across all spheres of government. Sectoral alignment in the context of provincial and national priorities.

The KZN MEC for Local Government has in terms of section 32(2) of the Municipal Systems Act pronounced to the Mayors of those municipalities how they can improve their credibility rating per IDP KPA and this has been communicated with the respective municipalities.

3.5. ASSESSMENT IN TERMS OF AUDITOR GENERAL (AG)

In its annual audits, the Auditor-General of South Africa (AGSA) examines the following aspects:

- Fair presentation and absence of material misstatements in financial statements
- Reliable and credible performance information for purposes of reporting on predetermined performance objectives
- Compliance with all legislation governing financial matters.

The audited institution achieves a clean audit when their financial statements are unqualified, with no reported audit findings in respect of either reporting on predetermined objectives or compliance with legislation.

The following information presents the audit outcomes in the Province for the audited 2016-2017 financial year:

- There has been an overall regression in the province of 4 clean audit opinions, with seven (7) municipalities receiving clean audits as opposed to eleven (11) clean audits in 2015/2016.
- The audit outcome for the Inkosi Langalibalele Municipality was finalized on 19 March 2018 due to the late submission of the annual financial statements to the Auditor-General.
- A summary of the audit outcomes for fifty four municipalities for the 2016/2017 financial year is as follows and a seven year trend of municipal audit outcomes is reflected in Annexure A attached hereto.
- Seven (7) unqualified audits with no other findings (Clean Audits);
- Thirty three (33) municipalities received unqualified audits with findings;
- Ten (10) qualified;
- Two (2) adverse; and
- Two (2) disclaimer.

The following municipalities received poor audit outcomes, as per the above:

TABLE 3: AUDITOR GENERAL ASSESSMENT

UNQUALIFIED AUDIT OPINIONS	QUALIFIED AUDIT OPINIONS	DISCLAIMER AUDIT OPINIONS	ADVERSE AUDIT OPINION
eThekwini	Ugu District	Msunduzi	uMkhanyakude District.
uMdoni	uMngeni	Inkosi Langalibalele	UMzinyathi District
uMgungundlovu District	Mpofana		
uMshwathi	uThukela District		
Impendle	Alfred Duma		
Mkhambathini	Msinga		
Richmond	uPhongolo		
ENdumeni	Amajuba District		

Nqutu	Harry Gwala District		
uMvoti	Abaqulusi		
Newcastle			
eMadlangeni			
Dannhauser			
Zululand District			
eDumbe			
Nongoma			
Ulundi			
Jozini			
Big Five Hlabisa			
Mtubatuba			
UMfolozi			
Umlalazi			
Mthonjaneni			
Nkandla			
iLembe District			
Mandeni			
KwaDukuza			
Ndwedwe			
Maphumulo			
Dr Nkosazana Dlamini Zuma			
Greater Kokstad			
Ubuhlebezwe			
uMzimkhulu			

Municipalities that maintained their clean audits are:

- Umzumbe,
- uMuziwabantu,
- Okhahlamba,
- King Chetswayo District,
- UMhlathuze and
- uMhlabuyalingana Municipalities.

The newly established Ray Nkonyeni Municipality received a clean audit after incorporation of the former Hibiscus Coast and Eziqoloni Municipalities which received unqualified audits in 2015/2016 financial years respectively.

Seven (7) municipalities regressed from an unqualified audit opinion to a qualified audit namely Ugu District Municipality, uMngeni Municipality, Uthukela District Municipality, Alfred Duma Municipality, Msinga Municipality, Abaqulusi Municipality and Harry Gwala District Municipality.

One (1) municipality namely UMzinyathi District regressed from a qualified to an adverse opinion;

One (1) municipality namely Msunduzi Municipality regressed from a qualified opinion to a disclaimer.

One (1) newly established municipality namely Inkosi Langalibalele received a disclaimer of opinion.

One (1) municipality namely uMkhanyakude District Municipality maintained an adverse audit opinion.

Although the Mpofana Municipality received a qualified opinion, it improved from a disclaimer of opinion as compared to the previous financial year.

The number disclaimer and asverse opinions remained constant with two (2) in 2015/2016 and two(2) in 2016/17 financial year.

3.6. ASSESSMENT IN TERMS OF MUNICIPALITY’S ANNUAL PERFORMANCE REPORT

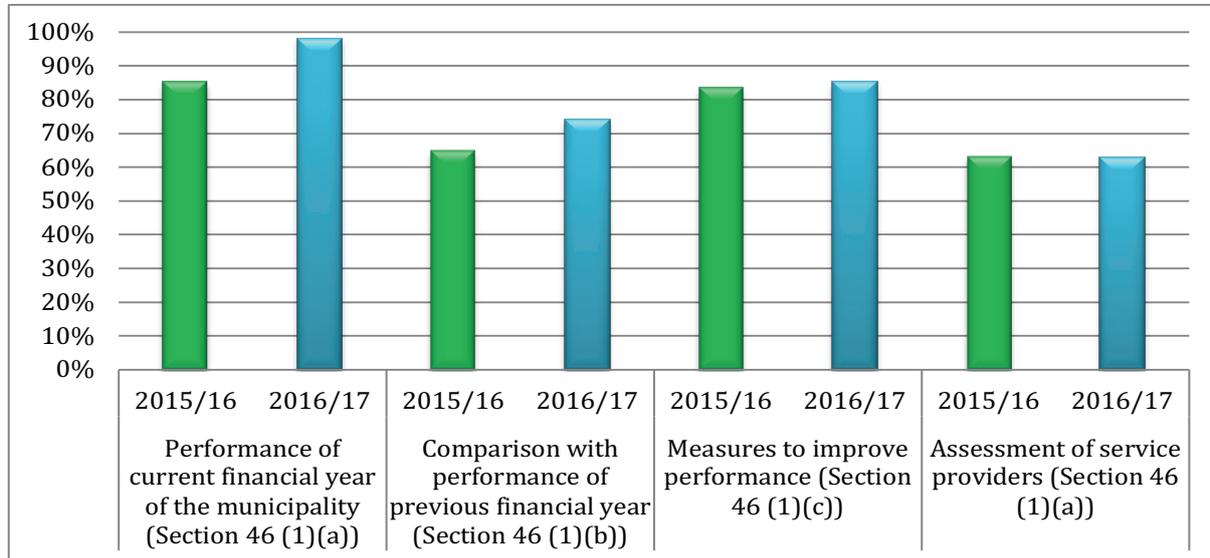
This assessment determines compliance and performance of a Municipality in terms of the municipal Annual Performance Reports, as required of municipalities in terms of Section 46 of the Municipal systems Act and must be included into the Municipal Annual report in terms of Section 121 (3) (c) of the Municipal Finance Management Act No. 56 of 2003. The assessment entails the following:

- ✓ The municipality has incorporated requirements of Section 46 of the Municipal Systems Act No. 32 of 2000 into the Annual report (MFMA Chapter 12), including the following:
 - ✓ Performance of current financial year of the municipality (Section 46 (1)(a))
 - ✓ Comparison with performance of previous financial year (Section 46 (1)(b))
 - ✓ Measures to improve performance (Section 46 (1)(c))
 - ✓ Assessment of service providers (Section 46 (1)(a))

Performance of current financial year of the municipality (Section 46 (1)(a))		Comparison with performance of previous financial year (Section 46 (1)(b))		Measures to improve performance (Section 46 (1)(c))		Assessment of service providers (Section 46 (1)(a))	
2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
85%	98%	65%	74%	83%	85%	63%	63%
46	53	35	40	45	46	34	34

There was an overall improvement of the legislative compliance of municipalities in its completion of the Annual Performance reports in terms of Section 46 of the MSA.

FIGURE 3: ASSESSMENT OF ANNUAL PERFORMANCE REPORT



Only 1 Municipalities as opposed to 7 Municipalities in the previous financial year did not include performance of the current financial year in the Annual Performance Report.

However 13 Municipalities did not do a comparison of performance with the previous financial year. In the assessment for the 2015-2016 financial year 17 Municipalities did not do a comparison of performance in the previous financial year.

Only 7 Municipality did not indicate measures to improve performance, compared to 8 municipalities during the 2015-2016 financial year.

There were 34 municipalities in both 2015-2016 and 2016-2017 that did an assessment of service providers, showing no change year-on-year.

Overall there has been an improvement in the performance and legal compliance of municipalities' Annual Performance Reports in terms of Section 46 of the Municipal Systems Act. It should however be noted that the Auditor-General found that there was a regression in the performance related findings in terms of Predetermined Objectives.

TABLE 4: ACHIEVEMENT OF ANNUAL PERFORMANCE REPORT TARGETS

Municipality	2015-16		2016-17	
	Targets Achieved	Targets not Achieved	Targets Achieved	Targets not Achieved
Ugu District Municipality	91%	9%	89%	11%
uMdoni	82%	18%	74%	26%
uMzumbi	75%	25%	69%	31%
Umuziwabantu	77%	23%	71%	29%
Ray Nkonyeni	N/A	N/A	90%	10%
uMgungundlovu District Municipality	74%	26%	68%	32%
uMshwathi	71%	29%	75%	25%
uMngeni	59%	41%	50%	50%
Mpofana	90%	10%	83%	17%
Impendle	84%	16%	71%	29%
Msunduzi	78%	22%	70%	30%
Mkhambathini	83%	17%	87%	13%
Richmond	61%	39%	57%	43%
uThukela District Municipality	72%	28%	83%	17%
Alfred Duma	N/A	N/A	78%	22%
Inkosi Langalibalele	N/A	N/A	63%	37%
Okhahlamba	72%	28%	83%	17%
uMzinyathi District Municipality	64%	36%	70%	30%
eNdumeni	68%	32%	69%	31%
Nquthu	57%	43%	43%	47%
Msinga	50%	50%	73%	27%
uMvoti	55%	45%	53%	47%
Amajuba District Municipality	29%	71%	47%	53%
Newcastle	63%	37%	63%	37%
eMadlangeni	67%	33%	81%	19%
Dannhauser	71%	29%	81%	19%
Zululand District Municipality	93%	7%	83%	17%
eDumbe	73%	27%	48%	52%
uPhongolo	46%	54%	48%	52%
Abaqulusi	67%	33%	55%	45%
Nongoma	64%	36%	71%	29%
uLundi	92%	8%	85%	15%
uMkhanyakude District Municipality	50%	50%	62%	38%
uMhlabuyalingana	83%	17%	82%	18%
Jozini	60%	40%	63%	37%
Big five Hlabisa	N/A	N/A	59%	41%
Mtubatuba	86%	14%	71%	29%
King Cetshwayo District Municipality	82%	18%	87%	13%
uMfolozi	73%	27%	78%	22%
uMhlathuze	60%	40%	62%	38%
uMlalazi	70%	30%	67%	33%
Mthonjaneni	Targets could not be determined	Targets could not be determined	91%	9%
Nkandla	78%	22%	78%	22%
iLembe	79%	21%	76%	24%
Mandeni	75%	25%	60%	40%
KwaDukuza	62%	38%	60%	40%

Municipality	2015-16		2016-17	
	Targets Achieved	Targets not Achieved	Targets Achieved	Targets not Achieved
Ndwedwe	50%	50%		
Maphumulo	60%	40%	44%	56%
Harry Gwala District Municipality	69%	31%	73%	27%
Dr Nkosazana Dlamini-Zuma	N/A	N/A	67%	33%
Greater Kokstad	85%	15%	82%	18%
Ubuhlebezwe	Targets could not be determined	Targets could not be determined	87%	13%
uMzimkhulu	96%	4%	95%	5%
eThekweni Metropolitan	64%	36%	70%	30%

3.7. REASONS FOR HIGH PERCENTAGE OF TARGETS NOT MET

- Maphumulo LM** – Key S54 and S56 posts have been vacant for more than 12 months. The municipality has advertised and attempted to fill the posts however due to the location and upper limits for senior managers these post could not be filled.
- Amajuba DM** – The major challenge for high targets not achieved was due to financial constraints. The key Section 54/56 positions (Municipal Manager, Chief Financial Officer, and Corporate Services) were vacant for most of the financial year. Having such vacancies in critical positions contributed to poor achievement of targets.
- eDumbe LM** – The level of performance for the following key performance areas decreased from the 2015/2016 financial year to the 2016/2017 financial year:

Basic Service Delivery and Infrastructure Development – From 57% to 16%

This is due to challenges with service providers not completing the projects within the timeframes and/or abandoning the projects for areas bigger provincial and big cities projects. Aging of electricity infrastructure and bridging of electricity is still a huge challenge for the Municipality.

Local Economic Development – From 80% to 25%

This is due to the LED Officer post being vacant; there is inadequate funding to enhance to operation of the unit; and challenges on the implementation of the LED strategy.

Good Governance, Community Participation and Ward Committee Systems – From 73% to 65%

This is due to the geographically location of wards which makes it difficult for all members to convene their meetings hence some their attendance depends on the availability of transport in the ward. The Legislation did not make provision for the remuneration of ward committee members as a result it is difficult to find dedicated members of the community who are willing to serve without remuneration.
- uPhongolo LM** – The level of performance for the following key performance areas decreased from the 2015/2016 financial year to the 2016/2017 financial year:

Good Governance, Community Participation and Ward Committee Systems – From 55% to 52%

This is due to the indigent register not been approved; and new Councillors were not trained in the 2016/2017 financial year.

Municipal Financial Viability and Management – From 50% to 30%

This is due to the revenue growth for the year being lower than expected; collection of debtors is still a challenge; and the cost coverage ratio is below the norm as it was sitting at 0 Months by 30 June 2017.

Cross-Cutting Interventions – From 50% to 0%

This is due to the process to implement SPLUMA not being at the required level due to the non-existing post of the Development and Planning Head of Department; and the Housing Sector plan, Environmental Management Plan and other plans were not finalized in 16/17 due to financial constraints.

3.8. OVERALL PERFORMING MUNICIPALITIES IN KWAZULU NATAL BASED ON THE COMBINED ABOVEMENTIONED ASSESSMENT

TABLE 5: BEST PERFORMING MUNICIPALITIES PER MUNICIPAL CATEGORY

Municipality	2016/17 B2B Score	2016/17 Audit	Latest IDP Credibility	Section 46 Performance
DISTRICT MUNICIPALITIES				
King Cetshwayo	83%	Clean	Between 67% And 60%	87% targets achieved
iLembe	80%	Unqualified	67% and above	76% targets achieved
Zululand	73%	Unqualified	Between 67% And 60%	83% targets achieved
MUNICIPALITIES PROVIDING ALL SERVICES				
uMhlathuze	86%	Clean	67% and above	62% targets achieved
eThekweni	71%	Unqualified	67% and above	70% targets achieved
Newcastle	68%	Unqualified	Between 67% And 60%	63% targets achieved
MEDIUM TO LARGE MUNICIPALITIES				
Okhahlamba	85%	Clean	Between 67% And 60%	83% targets achieved
uLundi	82%	Unqualified	Between 67% And 60%	85% targets achieved
uMshwathi	76%	Unqualified	Between 67% And 60%	75% targets achieved
SMALL MUNICIPALITIES				
Nkandla	79%	Unqualified	Between 59% And 50%	78% targets achieved
Umzambe	71%	Clean	67% and above	69% targets achieved
Impendle	71%	Unqualified	Less than 50%	71% targets achieved

TABLE 6: POOR PERFORMING MUNICIPALITIES

Municipality	2016/17 B2B Score	2016/17 Audit	Latest IDP Credibility	Section 46 Performance	Other Key Fundamental Considerations
Nquthu	49%	Unqualified	Between 67% And 60%	43% targets achieved	N/A
uMvoti	43%	Unqualified	Between 59% And 50%	53% targets achieved	N/A
eMadlangeni	41%	Unqualified	Between 59% And 50%	81% targets achieved	N/A
Dannhauser	43%	Unqualified	Between 59% And 50%	81% targets achieved	N/A
uMkhanyakude	42%	Adverse	Between 59% And 50%	62% targets achieved	N/A
Jozini	41%	Unqualified	Between 67% And 60%	63% targets achieved	N/A
Ndwedwe	47%	Unqualified	Less than 50%	No information	N/A
Maphumulo	47%	Unqualified	Between 67% And 60%	44% targets achieved	N/A
UMzinyathi District	68%	Adverse	Between 67% And 60%	70% targets achieved	Section 139 (b) 1 Intervention
Msunduzi	61%	Disclaimer	Between 67% And 60%	70% targets achieved	Financial management instability
Inkosi Langalibalele	63%	Disclaimer	Between 59% And 50%	63% targets achieved	Section 139 (b) 1 Intervention
Msinga	82%	Qualified	Between 67% And 60%	73% targets achieved	Political Instability and decision processes
uPhongolo	65%	Qualified	Between 67% And 60%	48% targets achieved	N/A
Amajuba District	56%	Qualified	Less than 50%	47% targets achieved	N/A
Harry Gwala District	69%	Qualified	67% and above	73% targets achieved	N/A
Abaqulusi	67%	Qualified	Between 59% And 50%	55% targets achieved	Financial distress and management challenges
Ugu District	81%	Qualified	Between 67% And 60%	89% targets achieved	Labour unrest impacting on water services
uMngeni	60%	Qualified	Between 67% And 60%	50% targets achieved	N/A
Mpofana	76%	Qualified	Between 67% And 60%	83% targets achieved	Section 139 (b) 1 Intervention
Uthukela District	77%	Qualified	67% and above	83% targets achieved	N/A
Alfred Duma	89%	Qualified	Between 67% And 60%	78% targets achieved	N/A
Mthonjaneni	67%	Unqualified	Less than 50%	91% targets achieved	N/A
Big Five Hlabisa	70%	Unqualified	Less than 50%	59% targets achieved	N/A
Impendle	71%	Unqualified	Less than 50%	71% targets achieved	N/A
eDumbe	63%	Unqualified	Less than 50%	48% targets achieved	Governance and financial challenges, discretionary MFMA intervention
Dr Nkosazana	70%	Unqualified	Between 59%	67% targets	Instability

Municipality	2016/17 B2B Score	2016/17 Audit	Latest IDP Credibility	Section 46 Performance	Other Key Fundamental Considerations
Dlamini-Zuma			And 50%	achieved	surrounding MM appointment
Mtubatuba	59%	Unqualified	Between 67% And 60%	71% targets achieved	Political Instability impacting on council structures
eNdumeni	73%	Unqualified	Between 67% And 60%	69% targets achieved	Political Instability and decision processes
Umuziwabantu	67%	Clean	Between 59% And 50%	71% targets achieved	Instability surrounding MM appointment

One of the legislative requirements in terms of the MSA Section 47 is that the MEC must propose remedial action for the under-performing municipalities that were identified. Over and above the general interventions as proposed and undertaken during the financial year, **Section 5** of this report gives a summary of critical challenges and interventions which were undertaken as remedial action for under-performing municipalities identified during the year.

These challenges are identified from various applicable sources, such as the IDPs, the B2B quarterly assessments, Local Government specialists' observations and findings, and any others and incorporated into the individual municipal B2B Action Plans, where required. Part of the remedial action responses for under-performing municipalities is the satisfactory resolution to the identified key challenges. This is facilitated through the actions taken by the municipality and the related support provided by KZN COGTA.

Over and above assessments done in terms of the annual B2B scores, the Auditor-General Audit findings, the IDP credibility scores and the Annual Performance Report assessments, it must be noted that consideration of the key fundamental identified certain municipalities which required specific interventions by CoGTA.

4. STRATEGIC ISSUES THAT WERE ADDRESSED BY COGTA AND INTERVENTIONS UNDERTAKEN PER PILLAR

Flowing from the ongoing monitoring of performance of municipalities during the 2016-2017 municipal financial year, and the subsequent conclusion of the performance and status of municipalities, CoGTA responded to the challenges identified and provided necessary support in terms of its mandate.

These remedial actions could be undertaken during the financial year, or subsequent to the financial year, so as to ensure ongoing and proper resolution of the challenges. Recognising that remedial and support actions can only be implemented after challenges were identified, most of the remedial actions and strategic outcomes referred to under this section of the report was in response to the finding during and after the 2016-2017 municipal financial year.

Following are some of the critical issues in identified municipalities, as well as the remedial measures taken to address these:

Ugu District Municipality

The Ugu District Municipality has experienced ongoing challenges over the last 3 years in regards to labour withholding their services from time to time as grievances are raised, which resulted in water stopages. This has manifested particularly just prior to prime tourist periods.

Cogta has been closely involved in the processes of mediating labour related issues in the District and has mediated an agreement between management and SAMWU during December 2017, and in respect of the most recent industrial dispute an agreement was again concluded through the efforts of the Premier on 7 June 2018.

Umuziwabantu Local Municipality

The Municipal Managers contract expired and due to internal differences within the Council, no appointment could be made in terms of the relevant legislation. In response to the vacancy, the MEC for Local Government in the province seconded a suitable person to act as Municipal Manager. One of the main duties of the acting Municipal Manager is to finalise the recruitment process for the Municipal Manager.

Mpofana Local Municipality

A section 139(b)(1) intervention was approved due to the municipality having an operational loss of R26.2m which was posted in the 2015/16 financial year. Conditional grants amounting to R16.5m were not cash backed. Eskom debts reached a level of R66m and other creditors reached a level of R11, 5m. Added to this, outstanding debtor levels owing to the municipality reached R97m, inclusive of an amount of R26m.

There are a number of vacancies in the municipality, inclusive of senior managers and the Municipal Manager. MIG expenditure was below 10% as at 31 December 2017. MIG funding is being used for operational expenditure. The municipality currently has an unfunded budget and there is a lack of financial reporting due to lack of skills and adequate capacity. Further to this, there appears to be poor relations between political office bearers and senior management

In an effort to arrest the deteriorating situation in Mpofana, an Administrator has been appointed and has prepared a Recovery plan which is currently under implementation. The municipality has established a Budget and Steering Committee, and a budget for 2018/19 was adopted by Council with a deficit of R28.6. This matter is being addressed. Section 71 reports are being prepared with detailed analysis of variances. Creditor repayment plans have been concluded for most major creditors and incorporated in the cash flow projections.

Msunduzi Local Municipality

The Auditor General issued a disclaimer audit opinion for the 2016/17 Annual Financial Statements, which was indicative of a regression when compared to the qualified audit opinion issued for the 2015/16 financial year. The majority of the issues that gave rise to the disclaimer related to Revenue

and Debt Management at the municipality. The Auditor General was unable to obtain sufficient audit evidence as consumer debtors recorded in the consolidated and separate financial statements did not reconcile to the debtors age analysis.

The MEC engaged with the municipality and was not satisfied with the audit response that was given. The municipality submitted a subsequent audit response that was found to be partially adequate as there were instances where insufficient details were provided. The AG requested assistance from COGTA to resolve issues relating to the municipality and the current audit process. Further support is being provided by dedicated service providers to assist management in addressing and closing out disclaimer and qualification findings.

uMzinyathi District Municipality

The Provincial Executive Council approved a section 139(1) (b) intervention in the District Municipality on 12 October 2017. A Recovery Plan was drafted to ensure the implementation of financial systems, policies and procedures, including the implementation of cost cutting measures to complete the process of paying prior years creditors and increase revenue collection. The Administrator appointed was to chair the Interim Finance Committee to manage the cash flow and payments, and to undertake the process to appoint senior managers, and also to ensure the implementation of findings arising from any investigations into fraud and mal-administration.

All grants are now fully cash backed and the municipality does not have a bank overdraft. The draft organogram will be submitted to Council at the end of June 2018 for adoption. The Technical Directors Director post has been filled, while the Community Director should be finalised by end of May and the CFO by end of June 2018. The underspending of grants has been fast tracked by applying section 32 processes, while the planning process for the next financial year has commenced.

The members for the new Audit Committee have been interviewed and should be appointed by end of June 2018. An investigation in terms of Section 106 of the is being conducted by Cogta and is still in progress. A new Supply Management Committees have been put in place and trained. And turn-around has been achieved in infrastructure spending

eNdumeni Local Municipality

Matters surrounding the appointment of the Municipal Manager and internal disagreements were compromising the decision making process. The Council was also unable to table its budget by the statutory due date as the Mayor had been arrested on allegations of plotting to assassinate the Speaker.

The Municipal manager has been appointed and the Council has approved the budget for the 18/19 financial year.

Msinga Local Municipality

It appeared that there were tensions in Council as a result of disagreements regarding the intention by the Council to renew contracts of senior managers at the municipality. Cogta had on numerous occasions advised the municipality of the legal framework with regard to the renewal of contracts. The Council nevertheless continued to renew the contracts without adherence to the legislative framework.

The MEC subsequently approached the High Court to obtain a court order with the effect of declaring the renewals of the Municipal Manager, the Director Community Services and the Director: IDP's contracts of employment with the municipality illegal and ultra vires. The review application was launched and papers served. Subsequently the municipality withdrew the application.

eDumbe Local Municipality

A Financial administrator was appointed in terms of a Section 139(1)(b) of the Constitution intervention during July 2017. The Administrator was tasked to prepare a section 141 financial Recovery Plan in terms of the MFMA. The administrator was also tasked to assist and co-ordinate the preparation of the Annual Financial statements and Audit file. As part of the recovery plan, skills transfer needed to be provided to finance staff and document such as a portfolio of evidence. The administrator also needed to consider and advise Council on whether it is necessary to make application for a stay of Legal proceedings in accordance with section 152 of the MFMA, as well as to ensure implementation of the recommendations of the previous forensic investigation report undertaken by the MEC for Cogta and report thereon.

To co-ordinate and work together with the municipal team, Provincial Treasury and Cogta have been charged with the execution of section 137 of the MFMA. The Recovery plan that informs the intervention was approved and being implemented. Further to that, the post of Municipal manager has been filled and the recruitment process for the appointment of the CFO has commenced.

Cost containment measures were put in place and an adjusted budget was approved with a R 255000.00 deficit compared to the original budget that had a deficit of R8m. Individual creditor accounts were reconciled as a priority due to the cash flow crisis. This is being monitored on a monthly basis.

Abaqulusi Local Municipality

The Abaqulusi municipality has been confronted with a number of challenges in terms of cash flow, poor debt collection and material losses on water and electricity, Eskom being the biggest creditor in the amount of R26.8m. The municipality has also not maintained the required 3 month cash coverage during the past 2 financial years.

Cogta mediated between the municipality and Eskom resulting in an agreement signed by both parties. To assist with the cash flow challenges, urgent cost containment measures have to be implemented by the municipality.

Mtubatuba Local Municipality

It was reported that there were tensions in the Mtubatuba Council regarding the intention to withdraw their local representatives to the uMkhanyakude District Municipality. The municipality was advised by Cogta on the implications of the withdrawal as it appeared that there was a misconception that the declaration of vacancies with the IEC would require a fresh election of the representatives from Mtubatuba when in fact these seats already belong to the parties that were allocated seats in 2016. The Council proceeded to withdraw the representatives. The IEC has replaced 3 of the 5 representatives. The remaining 2 representatives await due process by the relevant political party.

Inkosi Langalibalele Local Municipality

Inkosi Langalibalele municipality was placed under administration i/o Section 139(1)(b) of the Constitution in December 2017, and an Administrator was appointed to assume the functions specified in sections 51, 66, and 67 of the Systems Act.

The newly established municipality, following the 2016 local government elections, faced numerous governance, institutional, financial and service delivery challenges which crippled the ability of the municipality to operate optimally. The Council failed to approve an organogram, made incorrect placements in terms of the CMC processes and failed to complete the job evaluation exercise.

The municipality failed to submit its 2016/17 financial statements by the 31st August 2017. The municipality's cash flow position had deteriorated to the extent that there were insufficient funds to pay for critical operational expenses. Added to these conditional grants in the amount of R12.5m were not cash backed. The municipality ended the 2016/17 financial year with an overdraft of R26.5m in contravention of Section 45(4) of the MFMA.

Between September 2016 and June 2017 Cogta held numerous engagements with the municipality including the Executive Committee and management on various matters including matters related to financial viability of the municipality and appointment of senior management particularly the filling of the Municipal Manager post.

The Council was also engaged by Cogta in respect of its 2017/18 budget as well as its adjustments budget in January 2018. Cogta facilitated meetings with 6 departments to address arrear debt owed to the municipality. A Recovery Plan has been adopted by Council and is being implemented.

The Administrator acts as Chairperson of the Interim Finance committee and is a compulsory signatory to the municipality's primary bank account. He ensures the implementation of findings arising from the remedial action plans dealing with negative findings from the Auditor General. The intervention has gathered momentum and change is beginning to take effect.

Dr Nkosazana Dlamini-Zuma Local Municipality

NDZ municipality was placed under intervention on 28 March 2018 in terms of Section 139(1)(b) of the Constitution. Challenges related to the appointment of senior managers including the municipal manager. Several deputations were sent by Cogta to the municipality to assist the process, but failed.

This led to the appointment of the Administrator. A Recovery Plan was approved to address this as well as the capacitation of councilors on their governance role including oversight on the institutional, financial and service delivery matters of the municipality.

Ward committees were established and 13 out of the 15 are functional. OSS war rooms are active and Traditional leadership has committed to participate in municipal programs after engagements with the Ministerial representative.

70% of the capital budget was spent in May of the total allocation. Under commitment was identified for the next financial year and remedial action put in place to address this.

All structures of Council are functioning well and a Rules Committee has been put in place to process issues relating to breaches of the Code of Conduct for Councilors.

Tensions within Council were dealt with by the Administrator through a series of consultative meetings with the role players. Council unanimously appointed the municipal manager on 31 May 2018. The other three vacant senior management posts have been advertised on 3 June 2018. An organogram has been approved and the Skills Development Plan is reviewed annually. Capacity building programs have commenced and various workshops have been held in this regard.

Apart from Municipal specific interventions and remedial actions, COGTA has also been implementing overall remedial actions for municipalities in areas of inadequate performance and where general support and capacity building was identified. The following is a brief overview of some of these remedial actions and the impact that it has had on municipalities in general, per B2B pillar.

PILLAR 1: PUBLIC PARTICIPATION: PUTTING PEOPLE FIRST

Strategic Issues addressed:

- Functionality of ward committees improved from 53% in July 2017 to 76% as at September 2017
- Number of functional ward committees in the province : 663 out of 870 wards (76%)
- Number of wards where community feedback meetings were convened by ward councillors: 651 out of 870 wards (75%)
- Total number of community feedback meetings convened by councillors during period under review : 1,522 meetings
- Ward committee functionality assessment results for the period July to September 2017, indicates that only eThekweni Metro has less than 50% ward committee functionality.

Interventions:

- Monitoring of ward committee operations policies in municipalities to ensure linkages between functionality of ward committees and payment of out pocket expenses (as per the National Framework)
- The recently concluded Provincial Executive Council Lekgotla resolved that eThekweni Metro to address challenges pertaining to institutional arrangements within metro in respect of ward committee and community meeting sections

PILLAR 2: BASIC SERVICES: CREATING CONDITIONS FOR DECENT LIVING

Interventions:

- Monitoring of the implementation of the 2018/2019 FY Procurement Plan per Municipality focusing on the procurement of Contractors for the construction of 2018/2018 MIG Projects and Professional Service Providers for the planning and design of 2019/2020 MIG Projects.
- The recently concluded Provincial Executive Council Lekgotla requested all 54 municipalities to consider increasing their O&M provision for 2018 / 2019 by at least 1% from the current baselines (National Treasury norm is 8% of the value of carrying Property Plant & Equipment)
- On-going Interventions to mediate the effect of the drought
- Use of alternative water sources e.g. Boreholes. Desalination implemented in City of UMhlatuze in 2017
- Continue with inter basin transfer pumping schemes on the uMngeni System (Mooi River to Mpofana River)
- All WSAs have been directed to adhere to the gazetted restrictions for the next few months so that by August 2018 systems such as uMngeni and uMhlatuze show improvements in storage levels (measured by dam levels).
- The raising of the dam wall at Hazelmere Dam to be completed by August 2018, and this will result in extra 19,8mill kilolitres per annum for Ballito (iLembe District) and surrounding areas. Construction currently at 95%.
- Design and EIA to begin on the actual dam wall of Steven Dlamini Dam in Harry Gwala District. The appurtenant works such as the weir, access road, excavation of spillway and some pipelines have already been undertaken. Issues with land claims and EIA have now been dealt with.
- By August 2018 community challenges related to the Craigeburn Dam Project (UMzinyathi District) should have been resolved and the project proceeding
- Review of the feasibility of electricity licences remaining with the affected municipalities
- Targeted support is being provided to the three District Intergovernmental Forums that are lagging behind, namely Zululand, uMgungundlovu and UMzinyathi

PILLAR 3: GOOD GOVERNANCE

Strategic Issues addressed:

- The main oversight structures which include Council, EXCO, MPAC and Portfolio Committees of all 54 municipalities, were monitored for functionality by reviewing the agendas, minutes and resolutions of meetings held by these structures.
- Challenged structures were supported through training and/or workshops which in some cases were conducted jointly with SALGA
- The following municipalities were found to have poorly functional structures:
- Mpofana, Inkosi Langalibalele, eMadlangeni, eDumbe, Jozini

Interventions

- A new approach to coordinating the three spheres of government through the development of the strategic Agenda was achieved in order to maximize the participation of all IGR role Players

- CoGTA has moved beyond a compliance and cosmetic approach for IGR structures, to one that is more results driven and outcome orientated.
- A trend analysis was undertaken from the 2017/2018 financial year which found that 18 municipalities missed three or more MuniMEC (Technical and Political) meetings. The MEC wrote to the affected Mayors expressing disquiet at the conduct. The impact (if any) will be felt in the coming MuniMEC meetings scheduled for the 27th of Feb (Technical) and the 27th of March (Political).

PILLAR 4: SOUND FINANCIAL MANAGEMENT

Strategic Issues addressed:

There has been a general regression in the audit findings for municipalities in the province, as illustrated by the Auditor-General findings for the 2016-2017 financial year. CoGTA has developed a comprehensive Audit Response Strategy that was also pronounced by the provincial MEC for Local Government.

Interventions:

- Municipal Public Accounts Committees have been trained on how to read and interpret Annual Financial Statements with the exception of Ugu, UMzinyathi, Uthukela and Harry Gwala Districts where MPACs will be trained before the end of August 2018
- The recently concluded Provincial Executive Lekgotla directed as follows:
- Audit action plans of 54 municipalities to be analysed to identify corrective action on reported irregular, fruitless and wasteful expenditure and consequence management
- MEC for COGTA to issue a directive or approach the Provincial Executive for a directive in terms of section 139(1)(a) of the Constitution that senior management of municipalities that incurred UIFW, do not receive performance bonuses
- Mayors to ensure the inclusion of the attainment of unqualified (as a minimum) audits in the performance contracts of senior managers in respective municipalities
- The analyses of the skills in the Technical Services Departments of municipalities to be completed by August 2018 and the report shared with municipalities for consideration and implementation
- The audit of skills in Budget and Treasury Offices of municipalities (potentially 4000 employees) to commence immediately and at least five districts and their constituent local municipalities will have been completed by August 2018.

PILLAR 5: BUILDING CAPABLE INSTITUTIONS AND ADMINISTRATIONS

Strategic issues addressed:

- Municipal Manager Vacancies decreased from 26(48%) in August 2017 to 13(24%) in February 2018.
- CFO vacancies also decreased from 24(44%) to 11(20%) during the same period.
- Technical Services vacancies also decreased from 26(48%) to 16(30%) during the same period
- Corporate Services vacancies also decreased from 22(41%) to 14(26%) during the same period
- Smaller municipalities still struggle to recruit and retain Engineers as Technical Managers and Accountants as CFOs

- The number of women occupying senior management positions in municipalities increased slightly from 65(20% of 301) in August 2017 to 76(25% of 301) in February 2018

Interventions:

- Fast tracking of filling of key vacant positions in Municipalities
- Support Municipalities in the addressing of issues in the municipal audit response plans
- Link, integrate and co-ordinate all programmes and take into account proposals for the development of the municipality
- Align the resources and capacity of the municipality with the implementation of the Integrated Development Plan
- Review performance and take steps to improve performance with regard to those development priorities and objectives that were not met

5. CONCLUSION

The Back to Basic Programme continues to be the principle driving force for the delivery of necessary basic and other services to municipalities in the province. The MEC for Co-operative Governance and Traditional Affairs has continuously addressed Mayors and Accounting Officers of the municipalities that perform poorly, according to the Back to Basics Programme in various government structures. The newly appointed minister of the National Department of Co-operative Governance has endorsed the Back to Basics Programme as the principle driving force for the delivery of necessary basic and other services to municipalities, as evidenced by his latest budget speech.

The provincial department will continue to engage with the poor performing municipalities to pave a way forward on addressing the results and subsequent Back to Basics Support plans to ensure that a process is in place to address these issues. The MEC has initiated and pronounced an Audit Response Action Plan, developed by CoGTA to address Audit findings, with a specific focus on:

- Reasons for the poor audit outcome and/ or regression,
- Current state of municipal finance and prognosis for the next audit
- Progress status on implementation of audit response plan
- Progress status on the implementation of back to basics plan
- Recommendations on how the department can support to improve the status of the municipality

In addition the Department will implement an effective risk management system, including recommending the non-payment of bonuses as a result of such non-compliance to promote consequence management at the highest level of the municipal administrations. Municipal Councils will also be directed to ensure the establishment of disciplinary boards.

The Department will issue a circular to municipalities to ensure that the performance agreements of Section 54 and Section 56 managers at municipalities will include as a minimum indicators the requirement for the achievement of and “Unqualified” audit opinion, the payment of creditors within 30 days and the elimination of unauthorised, irregular, fruitless and wasteful expenditure.

The commitments/ decisions are being monitored to ensure that municipalities improve their audit outcomes. Given the weak leadership oversight reported, the Department will enhance monitoring of the functionality and effectiveness of council oversight structures. This will be done through the development and utilisation of an oversight framework to assess council oversight systems, processes and documents including interrogation of of Agendas and Resolution Registers to ensure that these are implemented and decision-making is sound.

The MEC is also mandated in terms of S131 of the MFMA to analyse and assess all audit responses for adequacy and report such to the Provincial Legislature. This report will be considered in conjunction with the performance report prepared in terms of S131 of the MFMA.

The department will undertake a preliminary assessment of the capacity and skills of all disciplines within the poor performing municipalities and those identified as dysfunctional under the Back to Basics Programme to inform the need for a comprehensive skills audit.

Municipalities including the political leadership are engaged on a quarterly basis through the monitoring mechanisms of the Back to Basics Programme, amongst others, to assess performance in terms of the B2B programme, provide feedback on the assessment and provide support or coordinate support of all relevant support partners, where challenges are experienced.

This report serves to consolidate the information gathered through the ongoing monitoring, support and capacity building initiatives of the Department, including the IDP credibility assessments and audit outcomes. The final set of information per municipality is utilised for two main purposes. Firstly, to identify municipalities which have underperformed using a scoring system with weighting allocated per indicator and determining a total score per municipality and secondly, to identify specific areas in which municipalities have not performed in accordance with the required norms and standards. Further mechanisms used to determine which municipalities are underperforming include the Audit Reports of the Auditor-General, the IDP Credibility score, performance in term of the Municipal Systems Act Section 46 report and other key fundamental indicators.

These areas of underperformance are communicated formally to all municipalities through the ongoing Back to Basic assessments and are also considered and utilised for the preparation of Action Plans (as part of the Back to Basic programme) to assist the municipalities to improve its performance in these areas. This information is also communicated internally in the Department, to its Directorates for corrective action based support to municipalities in collaboration with other departments.

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