

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY  
ORDINARY COUNCIL MEETING**

**2019.09.18**

**A-F (63-2019)**

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**CITY OF EKURHULENI: DRAFT ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS:  
2018/2019 FINANCIAL YEAR**

**1. PURPOSE**

To submit the Unaudited Annual Report and the Annual Financial Statements for the year ended 30 June 2019 to Council as per Circular 63 of MFMA. The Annual Financial Statements were submitted for auditing to the Office of the Auditor-General in accordance with section 126 of the Municipal Finance Management Act (56 of 2003).

**2. STRATEGIC OBJECTIVE**

Promoting good governance.

**3. WARDS AFFECTED**

All wards

**4. IDP LINKAGE**

Service Delivery Improvement & Enhanced Oversight / Achievement of Clean Audit Report.

**5. EXECUTIVE SUMMARY**

The Annual Financial Statements for the 2018/2019 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act (MFMA) and the Annual Report for the 2018/2019 financial year in terms of Section 127 of the MFMA. Section 127 of the MFMA, read with section 46 of the Municipal Systems Act 2000 (MSA), require every municipality and municipal entity to prepare an annual performance report, which must form part of the Annual Report for each financial year.

The purpose of the Annual Report as set out in Circular 63 is:

- To provide a record of the activities of the municipality or its entity or entities during the financial year to which the report relates;
- To provide a report on performance in service delivery and budget implementation for the financial year;
- To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity; and
- To reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions.

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**6. DISCUSSION**

Chapter 12 of the MFMA deals with financial reporting and auditing.

Section 122 provides the requirements for the preparation of annual financial statements. Section 126 stipulates that the annual financial statements must be completed within two months after the end of the financial year and be submitted for auditing by the Auditor-General. The Annual Financial Statements for the 2018/2019 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act and have been completed within the legislative deadlines.

MFMA Circular 63 from National Treasury provides detailed explanation of the Annual Report process. It is important to note the following comment extracted from the circular:

*The unaudited Annual Report is used to feed information to the next year's IDP. The un-audited Annual Report is sent through in August to departments, National Treasury for their records and the Auditor-General for auditing. It is also submitted to the MPAC for oversight verification and community consultation together with council.*

*The unaudited Annual Report is also submitted to a committee of council to verify performance of senior management in terms of the performance agreement entered into with the municipality. It is expected that the same committee deals with financial and non-financial performance.*

*The Auditor-General will submit the audited report to the Accounting Officer by the end of November for municipalities without entities and December for municipalities with entities. The audited Annual Report is then submitted to Council and the MPAC for finalising its oversight report.*

In terms of the MFMA and Circular 63, all municipalities and municipal entities are required to prepare and submit their draft Annual Reports to the Auditor-General by 31 August each year. However, before submission to the AG, the unaudited Annual Report must be submitted to the Audit Committee and then be tabled by the Executive Mayor to Council.

As these recommendations have far reaching implications on municipalities, and the process to conclude and finalise the annual financial statements is mid-August. The annual financial statements must be finalised first before inclusion in the annual report, and CoE has accepted an alternative procedure to comply with the requirements of Circular 63, whereby the tabling of the unaudited Annual Report to Council is done in September instead of August as required by Circular 63.

It is however important to note that there has already been compliance with other requirements of the MFMA Circular 63. This included the submission of the draft Annual Report including the Annual Financial Statements to the Audit Committee for scrutiny in August. Furthermore, in terms of the Schedules of key Deadlines, the unaudited Annual Report will be considered by the Oversight Committee in October/November and Council will adopt their oversight report in December.

The unaudited Annual Report, including the Annual Financial Statements, have been submitted to the Office of the Auditor-General South Africa (AGSA) on 31 August 2019 in order for the AGSA to commence with the auditing process as envisaged in the MFMA. The unaudited Annual Report and Annual Financial Statements must now be noted in Council. The Annual Report must be referred to the oversight committee in terms of section 129 of the MFMA to perform the oversight function and their report must be submitted to Council **before the end of December 2019.**

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**The following Annexures are attached to this report:**

**Annexure A:** Unaudited 2018/19 Annual Performance Report of the City of Ekurhuleni; and  
**Annexure B:** Unaudited 2018/19 Annual Financial Statements of the City of Ekurhuleni.

**A. CONTENTS OF THE 2018/19 DRAFT ANNUAL FINANCIAL STATEMENTS**

The 2018/19 Annual Financial Statements in Annexure B comprise of the following:

- Statement of financial position showing the financial position as at 30 June 2019;
- Statement of financial performance showing the results of operations (revenue and expenditure) for the year;
- Statement of changes in Net Assets showing the net worth of the City;
- Cash flow statement showing the sources and use of cash by the City;
- Appropriation statement that shows the comparison between budget and actual results;
- Accounting policies, conventions and assumptions used in the compilation of the financial statements; and
- Notes to the annual financial statements that clarify the figures and provide additional disclosure in the financial statements.

**The above-mentioned are contained in Annexure B.**

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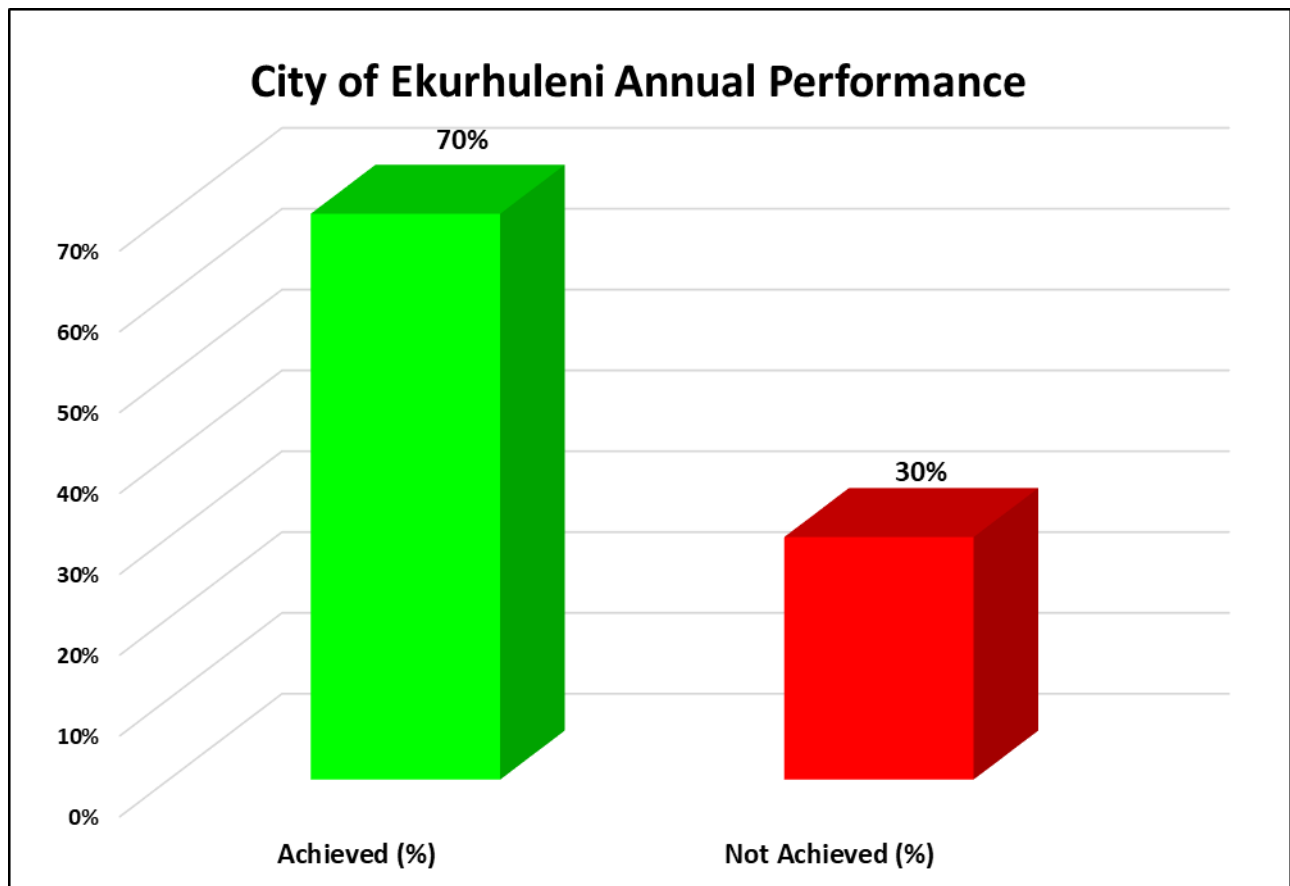
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**B. SDBIP PERFORMANCE/ NON-FINANCIAL PERFORMANCE INFORMATION SDBIP**

**SUMMARY OF THE UNAUDITED SDBIP ANNUAL PERFORMANCE REPORT (NON-FINANCIAL PERFORMANCE INFORMATION): FINANCIAL YEAR 2018/2019 CITY-WIDE PERFORMANCE**

**FIGURE 1: CITY-WIDE 2018/2019 ANNUAL PERFORMANCE**



The City committed to a total of hundred and ten (110) targets in the 2018/2019 financial year. Against these commitments, 77 (70%) of the targets were achieved and 33 (30%) were not achieved. The committed targets were contributed by the twenty-seven (27) departments and entities for the City-wide SDBIP, with the exclusion of two (2) departments that had no targets for the City-wide SDBIP. The two departments are Strategy and Corporate Planning and Office of the City Manager. Of the twenty-seven (27) departments and entities that committed to the targets, ten (10) departments and two (2) entities achieved fifty per cent (50%) and less of their planned targets. The ten (10) departments are Human Resources, Human Settlement, Fleet Management, Corporate Legal Services, EPMO, Finance, Risk Management, SRAC, Economic Development and Transport Planning whilst the entities are Brakpan Bus Company (BBC) and Ekurhuleni Housing Company. The Brakpan Bus Company (BBC), Ekurhuleni Housing Company, and Fleet Management achieved none (0%) of their planned targets. A total of seven (7) departments achieved hundred per cent (100%) of their planned targets and none of the entities achieved 100% of their planned targets.

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FIGURE 2: CITY-WIDE 2018/2019 ANNUAL PERFORMANCE PER CLUSTER

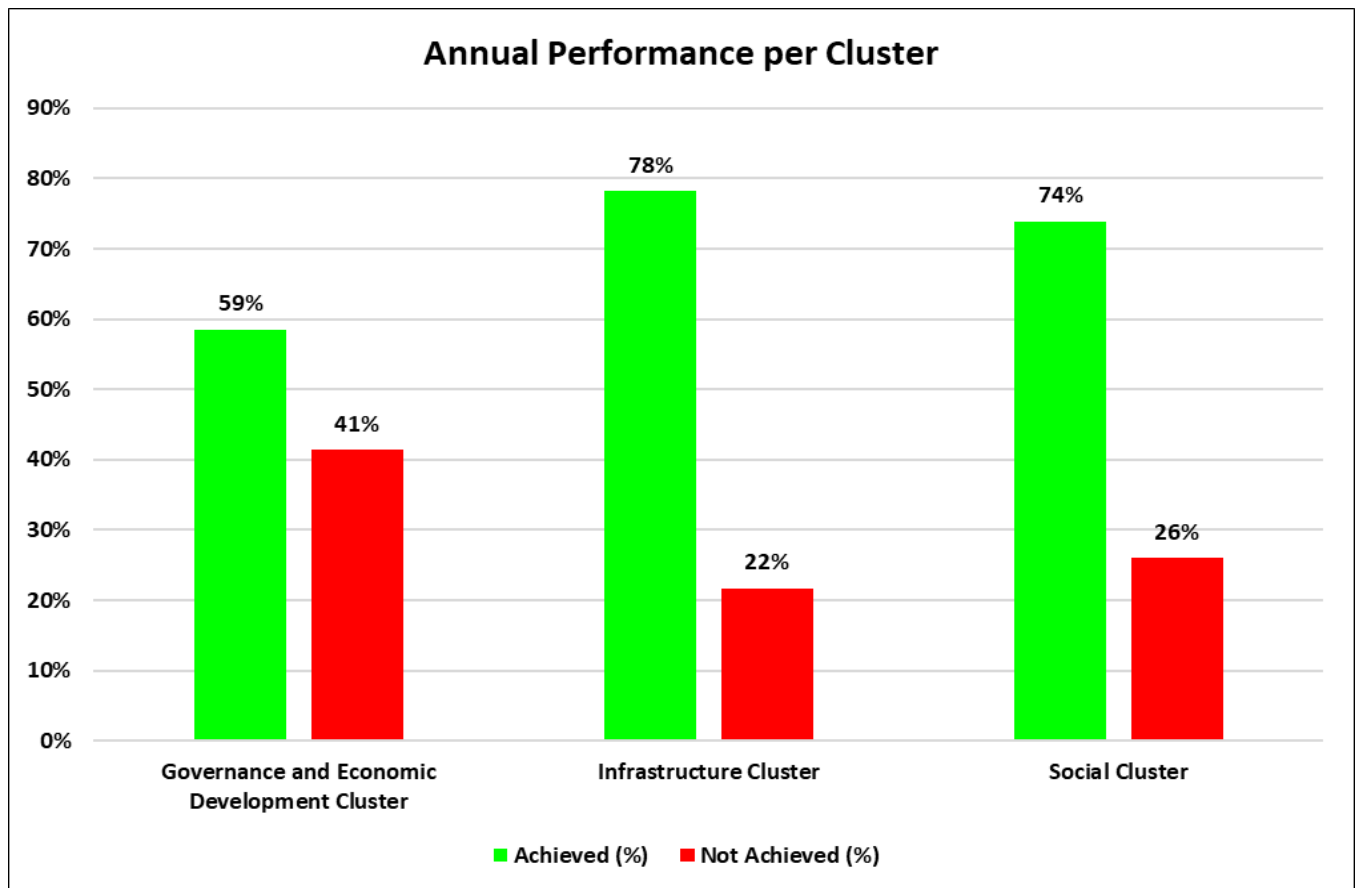


Figure 2. above presents the City's annual performance against the targets set for the 2018/2019 financial year per cluster. The figure shows that the Infrastructure Cluster recorded the highest performance of seventy-eight per cent (78%) target achievement followed by the Social Cluster at seventy-four per cent (74%) whilst Governance and Economic Cluster which recorded fifty-nine per cent (59%) target achievement.

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FIGURE 3: CITY-WIDE ANNUAL PERFORMANCE BY GDS THEMATIC AREAS

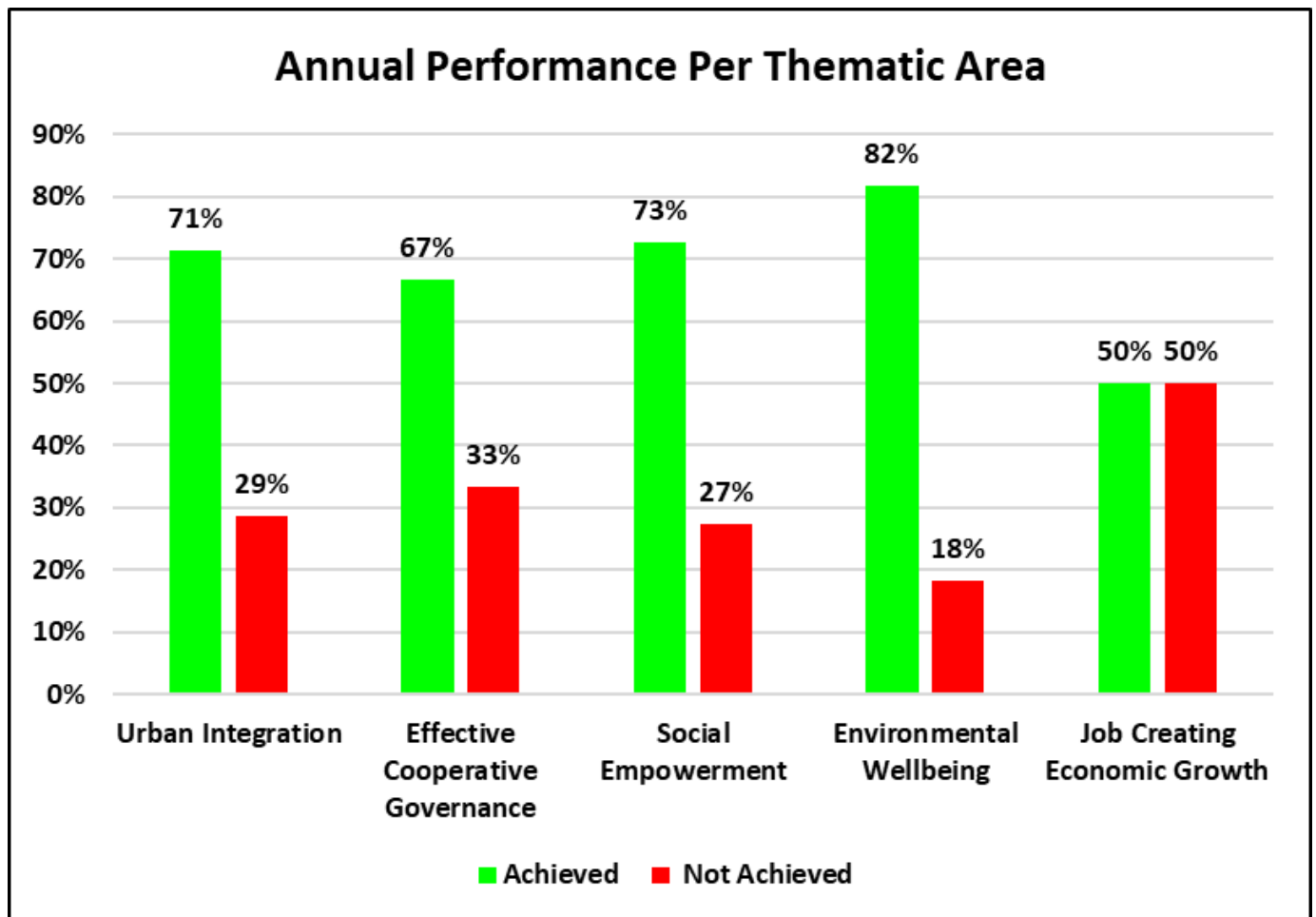


Figure 3. above presents the performance against the Thematic Areas of the Growth and Development Strategy (GDS) on targets that were planned to be delivered over the period under review and the performance is summarised as follows: -

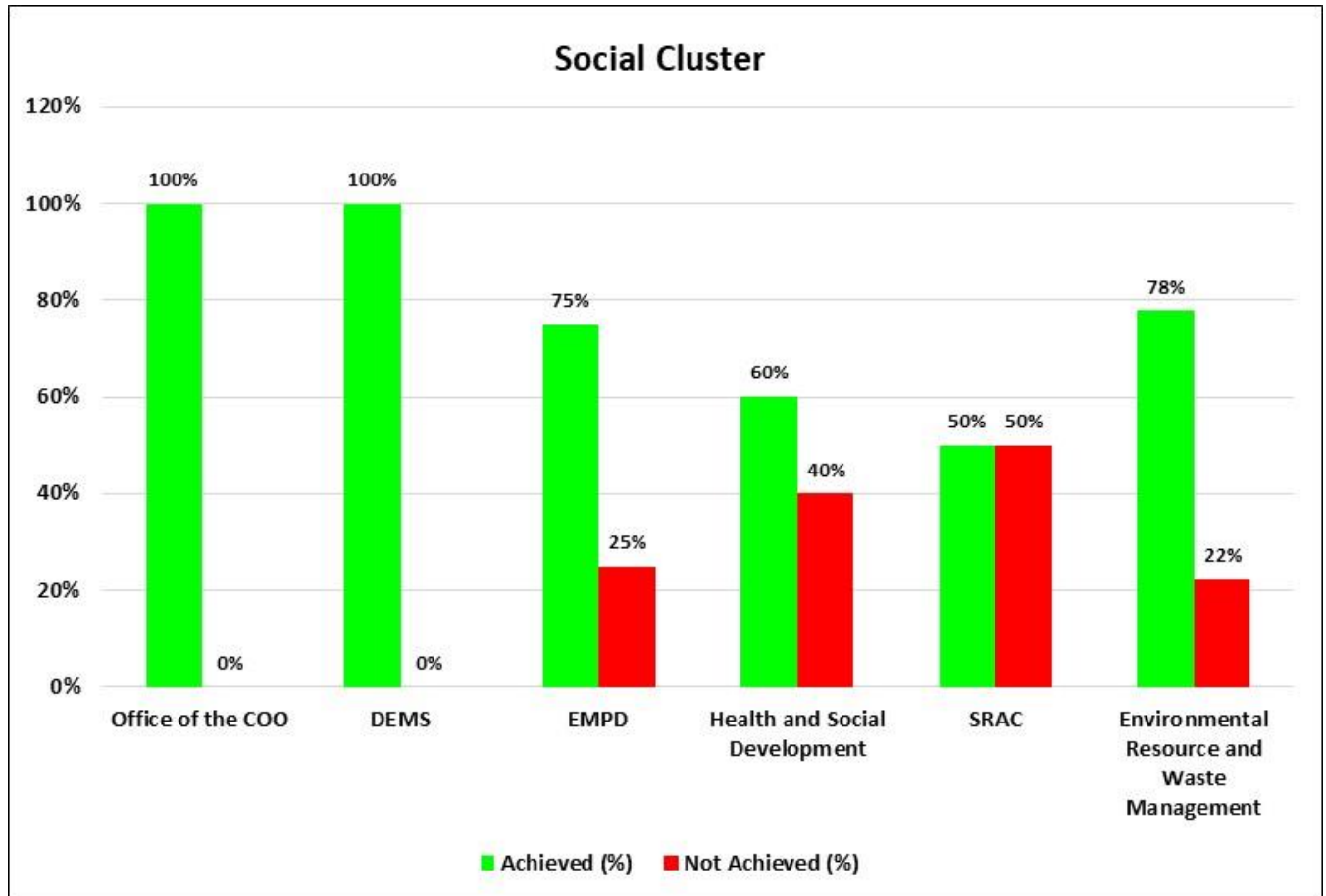
- The highest performance was recorded for the Environmental Wellbeing GDS Thematic Area in which eighty-two per cent (82%) of the eleven (11) targets that were planned for the were achieved.
- The second highest performance was recorded for targets that were planned for the Social Empowerment GDS Thematic Area. Eight (8) of the eleven (11) targets that were planned were achieved and this translates to seventy-three per cent (73%) target achievement.
- The above figure indicates that a total of forty-nine (49) targets were planned for the Sustainable Urban Integration GDS Thematic Area, of which 35 (71%) were achieved and 14 (29%) were not achieved.
- A total of thirty-three (33) targets were planned for the Effective Cooperative Governance GDS Thematic Area. Of the thirty-three (33) targets, 22 (67%) were achieved and 11 (33%) were not achieved.
- A total of six (6) targets were planned for the Job Creating Economic Growth GDS Thematic Area. Of the six (6) targets, 3 (50%) were achieved.

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FIGURE 4: CITY-WIDE ANNUAL PERFORMANCE ACROSS SOCIAL CLUSTER



**Social Cluster**

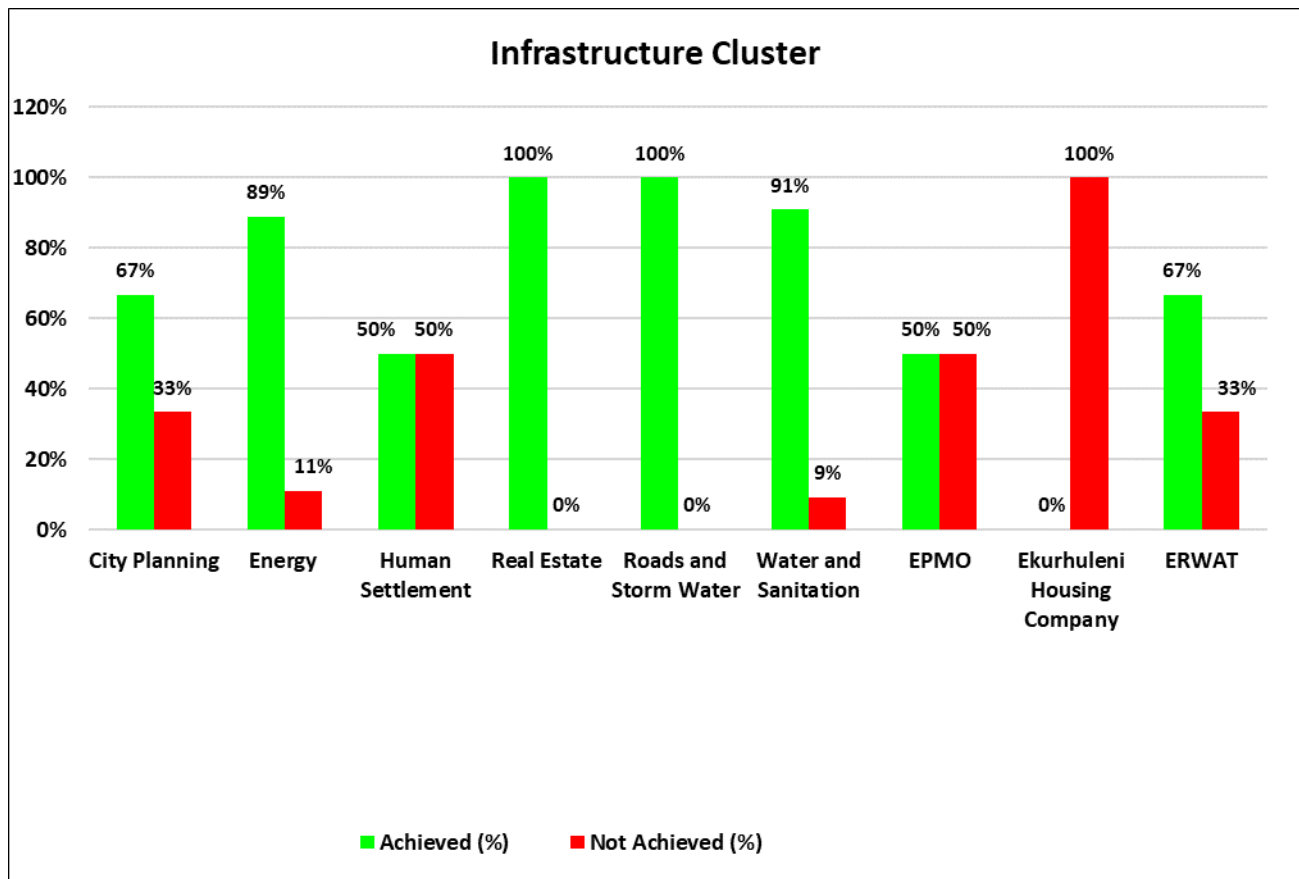
The Social Cluster committed to a total of twenty-three (23) targets and of the 23 targets, 17 (74%) targets were achieved and 6 (26%) targets were not achieved as presented in Figure 1 above. Two (2) departments in this cluster achieved 100% of their planned targets for the year under review. These departments are Office of the Chief Operations Officer and Disaster and Emergency Management Services. The second highest performance was recorded by Environmental Resource and Waste Management Services which achieved 78% of its planned targets, followed by the Ekurhuleni Metro Police Department with 75% of its planned targets achieved.

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FIGURE 5: CITY-WIDE ANNUAL PERFORMANCE ACROSS INFRASTRUCTURE CLUSTER



**Infrastructure Cluster**

The cluster committed to a total of 46 targets and of the 46 targets committed to, 36 (78%) were achieved and 10 (22%) were not achieved. Roads and Storm Water and Real Estate achieved hundred per cent (100%) of their planned targets in this cluster. These are followed by Water and Sanitation and Energy departments with 91% and 89% achievement of targets, respectively. Both City Planning and East Rand Water Care Company achieved 67% of their targets whilst Enterprise Programme Management Office and Human Settlement achieved half (50%) of their planned targets, respectively. Ekurhuleni Housing Company achieved nil per cent (0%) of their set targets.

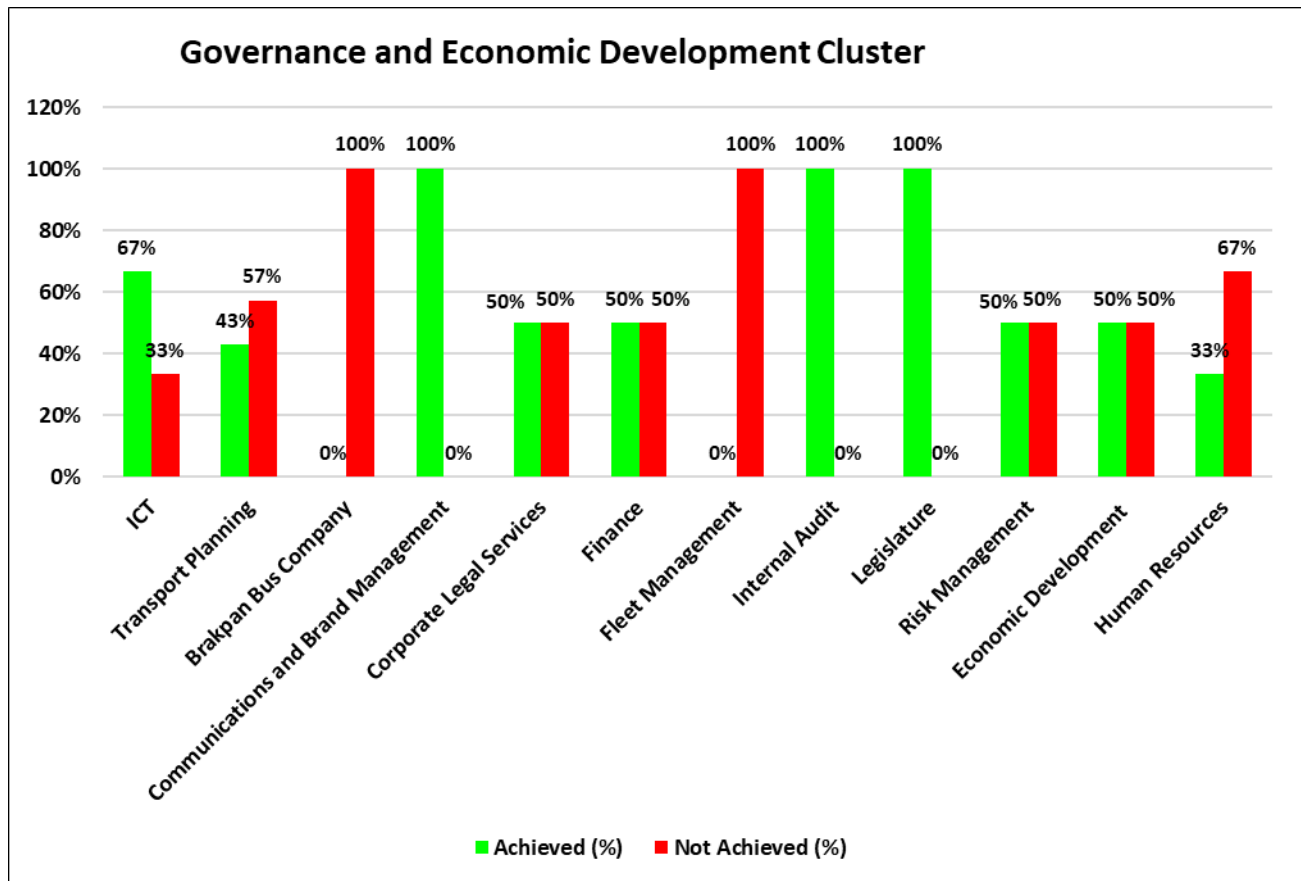


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**FIGURE 6: CITY-WIDE ANNUAL PERFORMANCE ACROSS GOVERNANCE AND ECONOMIC DEVELOPMENT CLUSTER**



***Governance and Economic Development Cluster***

The performance of the cluster was measured against forty-one (41) targets that were planned to be met in the 2018/2019 financial year. A total of 24 (59%) targets were achieved and 17 (41%) were not achieved. Three (3) departments (Communications and Brand Management, Internal Audit and Legislature) achieved 100% of their set targets. The second highest performing department Information Communication and Technology with 67% of their set targets achieved. Economic Development, Corporate Legal Services, Finance and Risk Management with 50% of their set targets achieved. These are followed Transport Planning and Provision Department which achieved only forty-three per cent (43%) of its targets. The Human Resources department achieved thirty-three per cent (33%) of their set targets while the Brakpan Bus Company and Fleet Management recorded nil per cent (0%) target achievement.

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## **7. HIGHLIGHTS FOR 2018/2019 ANNUAL PERFORMANCE**

During the period under review, the pro-poor agenda remained the foremost developmental agenda of the City in its commitment to stimulate and improve economic growth for the benefit of poor by broadening its reach through service delivery to all informal settlements. The key focus was on the continuing improvement of the quality of targeted services to informal settlements. Electrification, gravelling and upgrading of roads in the informal settlements, promoting targeted service provision in informal settlements and maintenance of service levels in all areas of the City are some of the noteworthy key service delivery highlights.

### **7.1 SUSTAINABLE URBAN INTEGRATION**

The City All CoE's residents in both formal and informal settlements receive a weekly comprehensive waste management service. Through a combination of in-house and outsourced services, 701 645 formal properties receive once a week kerbside refuse removal while 119 informal settlements, which are home to over 164 699 households, receive a weekly comprehensive waste management package. Majority of the households receive services through round collection while few households in the informal settlements are serviced through bulk containers.

To this end, the City included households in informal settlements in the electrification programme which were previously excluded from the programme. The City has prioritized the electrification of informal settlements and the target is to complete the electrification in five (5) years beginning the 2016/2017 financial year and completing such in the 2021/22 financial year. The City had electrified in excess of 16 000 households as at the end of June 2019 since the start of the project in the re-blocked informal settlements. Pre-payment meters are installed to meter the usage of electricity. The intervention involves planning and implementation of the maintenance of the network in regions containing informal settlements. The network is vulnerable in these areas and needs constant monitoring. The City also installed PV solar lighting units, high mast lights and streetlights in informal settlements which did not have electricity. During the financial year under review, the City has installed a total of 651 streetlights, 113 high mast lights and 10 045 PV solar lighting units in informal settlements.

Furthermore, as part of its pro-poor agenda, the City has included households in informal settlements in the electrification programme which were previously excluded from the programme. The City has also installed PV solar lighting units in informal settlements which did not have electricity, installation of high mast lights and street lights. Significant strides were made in this regard which include:

- installation of 651 street lights, and
- installation of 10 045 PV solar lighting units in informal settlement.

Some of the highlights with regards to water and sanitation provision are that the City has added 2 314 new sewer and water connections that meet minimum standards of the performance. The percentage of complaints callouts resolved within 48 hours for both water and sanitation has been above 97% meeting the set standard which is 90%. The water connections metered as a percentage of total connections has been recorded at 92, 7%. While a total of 7 684 unbilled properties were billed during 2018/19 thereby reducing the number of unmetered areas in the City.

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The City has also improved the water system infrastructure and access to water provision by extending, upgrading and replacing in total of 17,235 km water and sewer pipes. Additional two (2) reservoirs have been constructed in 2018/19 in an effort to further improve security to water supply infrastructure in the City. The percentage of non-revenue water was recorded at 33.3% and the total water losses remain at 29.9% for the entire system. The City continued to maintain the Blue Drop standard status of above 95%.

## **7.2 SOCIAL EMPOWERMENT**

Some of the key service delivery priorities during the 2018/2019 reporting period were: - to reduce HIV infection in the general population to below 15%; reduce HIV transmission from Mother-To-Child to below 2%; and increase access to Antiretroviral Therapy initiations by increasing the number of eligible patients initiated on Antiretroviral Therapy, thus increasing the life expectancy of citizens in Ekurhuleni.

During the reporting period, 8% of clients tested positive through HIV Counselling and Testing (HCT) programme in the City's health facilities and through HCT Campaigns compared to 9% of the previous financial year. An HIV transmission rate of from Mother-To-Child of 0.9% was achieved against a national target of less than 2%. This achievement could also be attributed to among others, improved implementation of the Prevention on Mother-to-Child Transmission (PMTCT) of HIV Programme interventions and proper policy implementation and monitoring. Forty-nine thousand one hundred and forty-three (49,143) patients against a target of thirty-three thousand (33,000) were put on antiretroviral treatment which translate into more patients having a better prospect of living a healthy and long life.

The Social Services interventions implemented by the City of Ekurhuleni are aimed at enhancing social function and human capabilities. These include, among others, interventions such as psycho-social support to vulnerable groups, children, women, youth older persons and people with disabilities. The interventions that were implemented during 2018/19 include access to quality early childhood development (ECD) services, provision of behaviour change and skills development programmes targeted at youth, and programmes for older persons.

The City has made noteworthy strides in the provision of Sports, Recreation, Arts and Culture services. The notable key achievements for the year under review include: -

- One newly constructed swimming pool was completed for the community of Eden Park, although the plan to provide two new facilities in this financial year could not be attained due to project delays, the second swimming pool is due for completion in August 2019.
- In the year under review, 437 Early Childhood Centres participated in SRAC programmes and a total number of 4,513 children took part in the kiddies games programme, the annual target of 530 could not be realized due to non-attendance of a number of ECD centres the programme because of bad weather.
- In our efforts to increase the capacitation of youths and adults across the development continuum, one thousand and seventeen (1017) beneficiaries participated in capacity building interventions, such as Photography classes, Soccer and Coaching skills development, Chess development, Harambee Microsoft online programme, design cutting and seam stressing as well as entrepreneurship for creative industries.

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- Mass participation programmes such as the OR Tambo Arts and crafts, Clap and Tap Choral Music Workshop, Art Centre Heritage Month programme, Jazz Jamboree, Slam Poetry and OR Tambo Debates were presented in the first and second quarter of the 2018/2019 financial year.

### **7.3 JOB CREATION**

As part of the employment creation drive, the City received an allocation of R25 million as an EPWP incentive grant through the Division of Revenue Act, this led to the creation of 1000 work opportunities through three projects; Community Emergency response team, Water Stewards and maintenance of Economic Development infrastructure facilities. Expanded Public Works Programme (EPWP) is implemented throughout the City by recruiting the community while executing both Capex and Opex projects, wherein the City reported the creation of an additional 4,484 work opportunities and full-time equivalents.

During the year under review, the City has managed to attract and achieve Rand Value of inward investment of R5 billion. This was achieved despite the challenging economic conditions. These investments were largely new investments and expansion investments as follows:

- R4.5 billion for the expansion of O R Tambo International Airport to include offices, parking, hotels and Retail.
- R2.5 billion for the development of the Tambo Springs Logistics Gateway in partnership with Transnet, City of Ekurhuleni, Gauteng Provincial Government and the Tambo Springs Development Company.
- R1 billion by GZ Industries Group (“GZI”), a can manufacturing business which is poised to be the second largest facility in the country.
- Africa International Food Market (AIF) in Kempton park which is fresh produce facility to serve needs of buyers and producers from across the continent and beyond.
- Teraco Data Management Centre in Isando which is the largest data management facility in Africa.
- Komatsu Campus expansion to a new premise in Elandsfontein.

### **8. ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS**

None

### **9. FINANCIAL IMPLICATIONS**

None

### **10. LEGAL IMPLICATIONS**

Compliance with Section 127 of the MFMA, read with Section 46 of the Municipal Systems Act.

### **11. COMMUNICATION IMPLICATIONS**

None

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**12. OTHER DEPARTMENTS/ BODIES CONSULTED**

The Internal Audit department has reviewed the draft annual financial statements and draft Annual Report as part of the preparation processes and their recommendations were taken into account before these Annual Financial Statements and Annual Performance Report were submitted to the National Treasury, COGTA and Auditor-General on the 31<sup>st</sup> August 2019.

**RECOMMENDATION**

1. **That** the Unaudited Annual Performance Report of the City of Ekurhuleni, including Annual Financial Statements for the financial year 2018/2019, **BE NOTED**.
2. **That** the Annual Report, inclusive of the Annual Financial Statements, **BE REFERRED** to the Oversight Committees for the oversight process as contemplated in section 129 of the Municipal Finance Management Act and prescribed in Circular 63 of National Treasury.
3. **That** the Oversight Committees, in terms of section 129 of the MFMA, **REPORT BACK** to Council by no later than end December 2019 as required by the MFMA and MFMA Circular 63.