

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

2020.11.26

A-F (83-2020)

**CITY OF EKURHULENI: UNAUDITED ANNUAL PERFORMANCE REPORT AND
UNAUDITED ANNUAL FINANCIAL STATEMENTS: 2019/2020 FINANCIAL YEAR**

1. PURPOSE

To submit the Unaudited Annual Performance Report and the Unaudited Annual Financial Statements for the year ended 30 June 2020 to Council as per Circular 63 of MFMA, and the Unaudited Annual Financial Statements as submitted for auditing in accordance with section 126 of the Municipal Finance Management Act.

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 2019/2020 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act (MFMA) and the Annual Performance Report for the 2019/2020 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.

However, in accordance with MFMA Circular 104, municipalities are exempted for the 2019/20 financial year, from complying with the deadlines in terms of section 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the MFMA.

The unaudited Annual Report, including the Annual Financial Statements, will be submitted to the Office of the Auditor General South Africa (AGSA) on 31 October 2020 in order to commence with the auditing process as envisaged in the MFMA.

The Consolidate Annual Financial Statement be submitted by 30 November 2020, to the Office of the Auditor General of South Africa for auditing.

The unaudited Annual Report, including the Annual Financial Statements, have been submitted to the Office of the Auditor General South Africa (AGSA) on 31 October 2020 in order to commence with the auditing process as envisaged in the MFMA.

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The purpose of the Annual Performance 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.

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 2019/2020 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.

An exemption for submission of 2019/20 Annual Report by 31 August 2020 was granted from complying with the deadlines in sections 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) provided for in the published Government Gazette 43582 Local Government: Municipal Finance Management Act, 2003. An exemption for submission 2019/20 Annual Report Act

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states that "Municipalities and municipal entities must comply with a provision on deadlines in sections 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) within two months after the deadline in the applicable provision". 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- October. The annual financial statement 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 November instead of October as required by Circular 63. In light of the above alternative procedure to comply with the requirements of Circular 63, the current 2019/20 Unaudited Annual Report is tabled in November 2020 as a result of an exemption for submission 2019/20 Annual Report.

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 Performance Report including the Annual Financial Statements to the Audit Committee for scrutiny in **October for the 2019/20 financial year**. Furthermore, in terms of the Schedules of key Deadlines, the unaudited Annual Report will be considered **by the Oversight Committee in November/December and Council will adopt their oversight report in December/January**.

The unaudited Annual Performance Report, including the Annual Financial Statements, has been submitted to the Office of the Auditor General South Africa (AGSA) **on 31 October 2020** in order for the AGSA to commence with the auditing process as envisaged in the MFMA. The unaudited Annual Performance 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/January**.

The following Annexures are attached to this report:

Annexure A: Unaudited 2019/2020 Annual Performance Report of the City of Ekurhuleni
Annexure B: Unaudited 2019/2020 Annual Financial Statements of the City of Ekurhuleni

7. CONTENTS OF THE 2019/2020 DRAFT ANNUAL FINANCIAL STATEMENTS

The unaudited 2019/2020 Annual Financial Statements in Annexure A comprise of the following:

- Statement of financial position showing the financial position as at 30 June 2020;
- 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;

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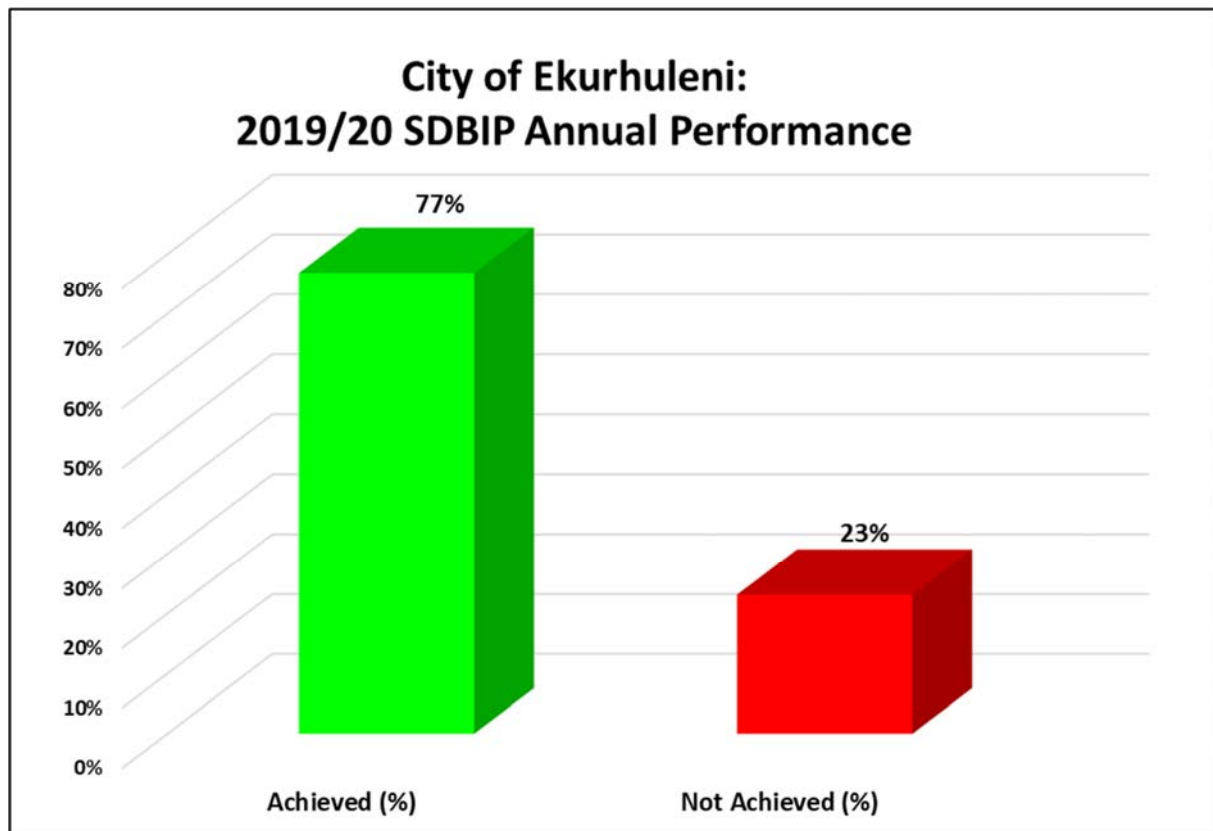
- Cash flow statement showing the sources and use of cash by the City;
- Appropriation statement that shows the comparison between budget and actual results;
- Accounting policies, conventions and assumptions used in the compilation of the financial statements; and
- Notes to the annual financial statements that clarify the figures and provide additional disclosure in the financial statements.

The above-mentioned are contained in Annexure A.

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

SUMMARY OF THE UNAUDITED SDBIP ANNUAL PERFORMANCE REPORT (NON-FINANCIAL PERFORMANCE INFORMATION): FINANCIAL YEAR 2019/2020 CITY-WIDE PERFORMANCE

FIGURE 1: CITY-WIDE 2019/2020 ANNUAL PERFORMANCE



The City committed to a total of ninety-five (95) targets in the 2019/2020 financial year. Against these commitments, 73 (77%) of the targets were achieved and 22 (23%) were not achieved.

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The committed targets were contributed by the twenty-six (26) departments and entities for the City-wide SDBIP. Of the twenty-six (26) departments and entities that committed to the targets, ten (10) departments achieved hundred per cent (100%) of their planned targets. three (3) departments and two (2) entities achieved less than fifty per cent (50%) of their planned targets, with Brakpan Bus Company (BBC), Ekurhuleni Housing Company, SRAC and Office of the COO achieving none (0%) of their planned targets.

FIGURE 2: CITY-WIDE 2019/2020 ANNUAL PERFORMANCE PER CLUSTER

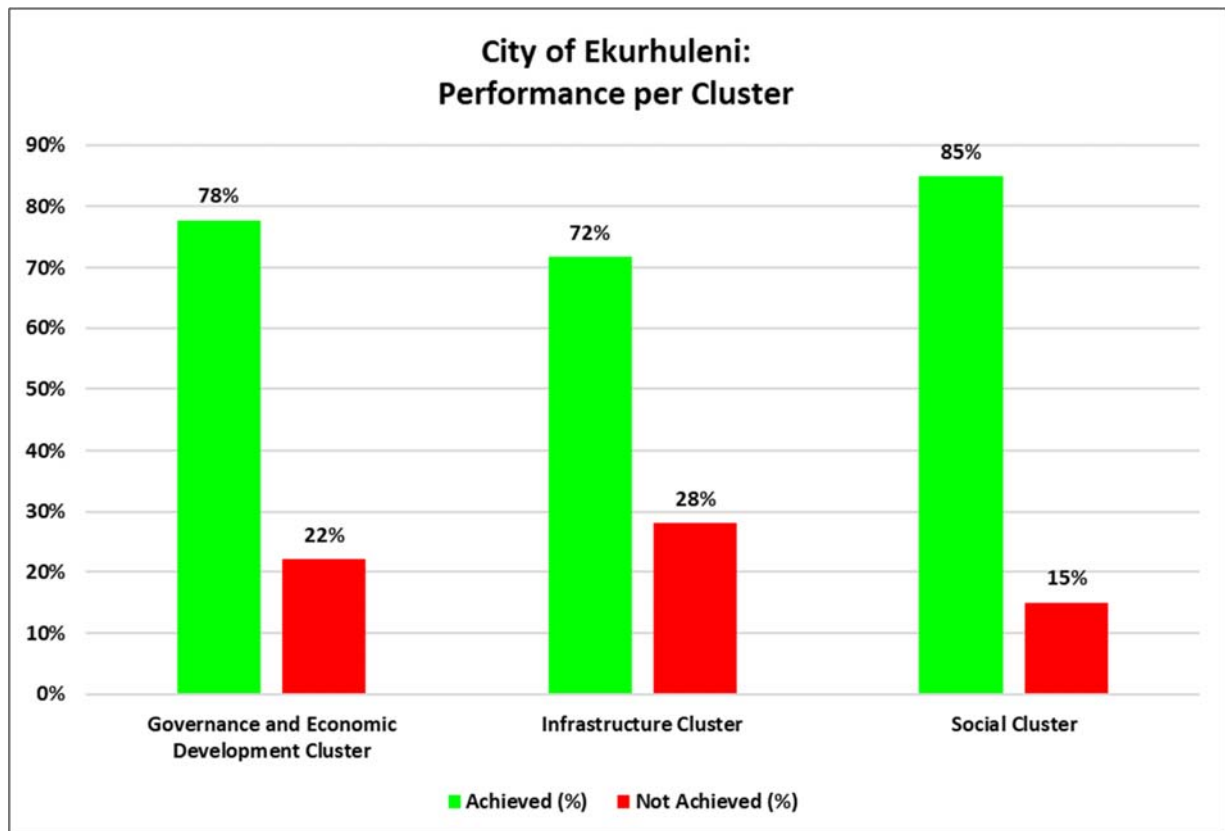


Figure 2. above presents the City's annual performance against the targets set for the 2019/2020 financial year per cluster. The figure shows that the Social Cluster recorded the highest performance of eighty-five per cent (85%) target achievement followed by Governance and Economic Cluster which recorded seventy-eight per cent (78%) target achievement. Infrastructure Cluster recorded seventy-two per cent (72%) achievement.

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

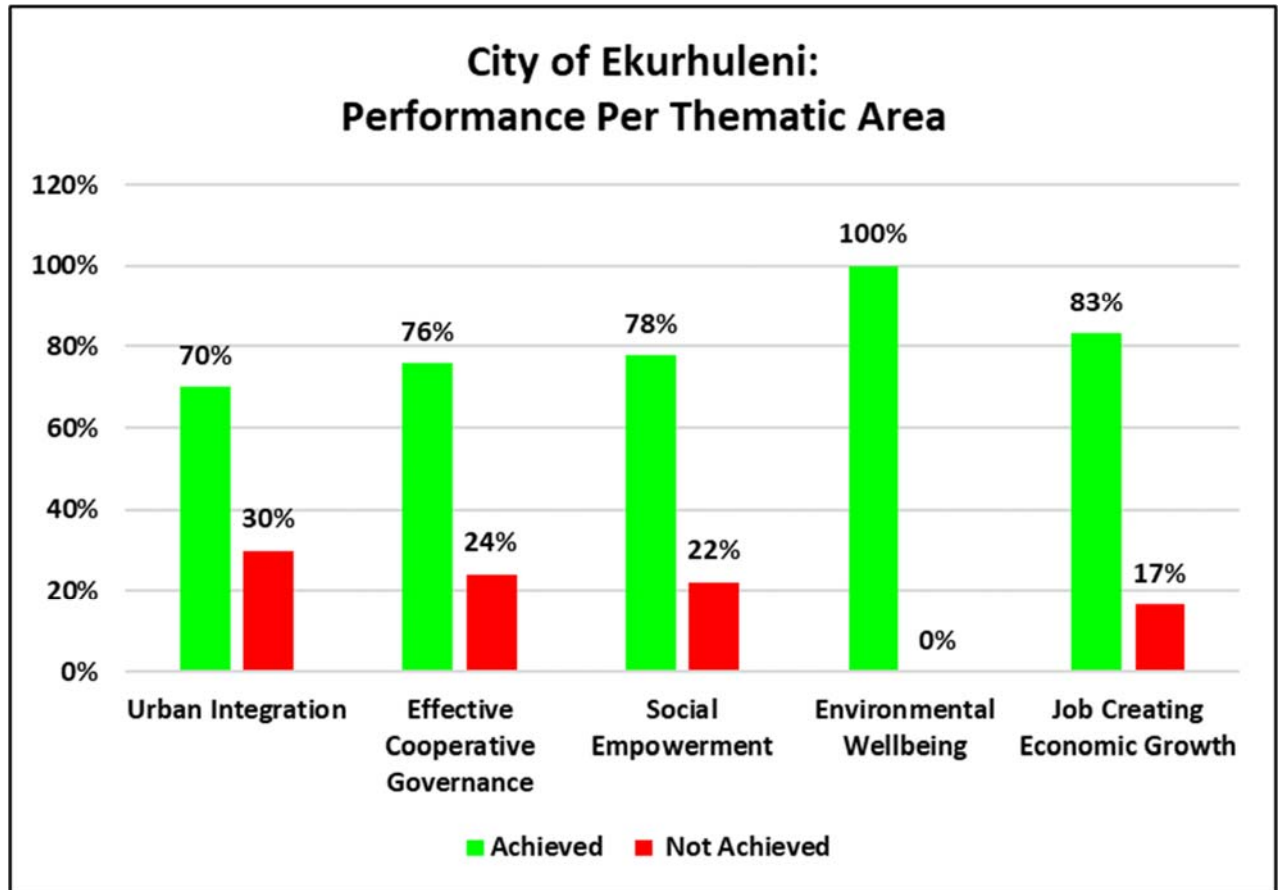


Figure 3 above presents the performance against the Thematic Areas of the Growth and Development Strategy (GDS) on targets that were planned to be delivered over the period under review and the performance is summarised as follows:

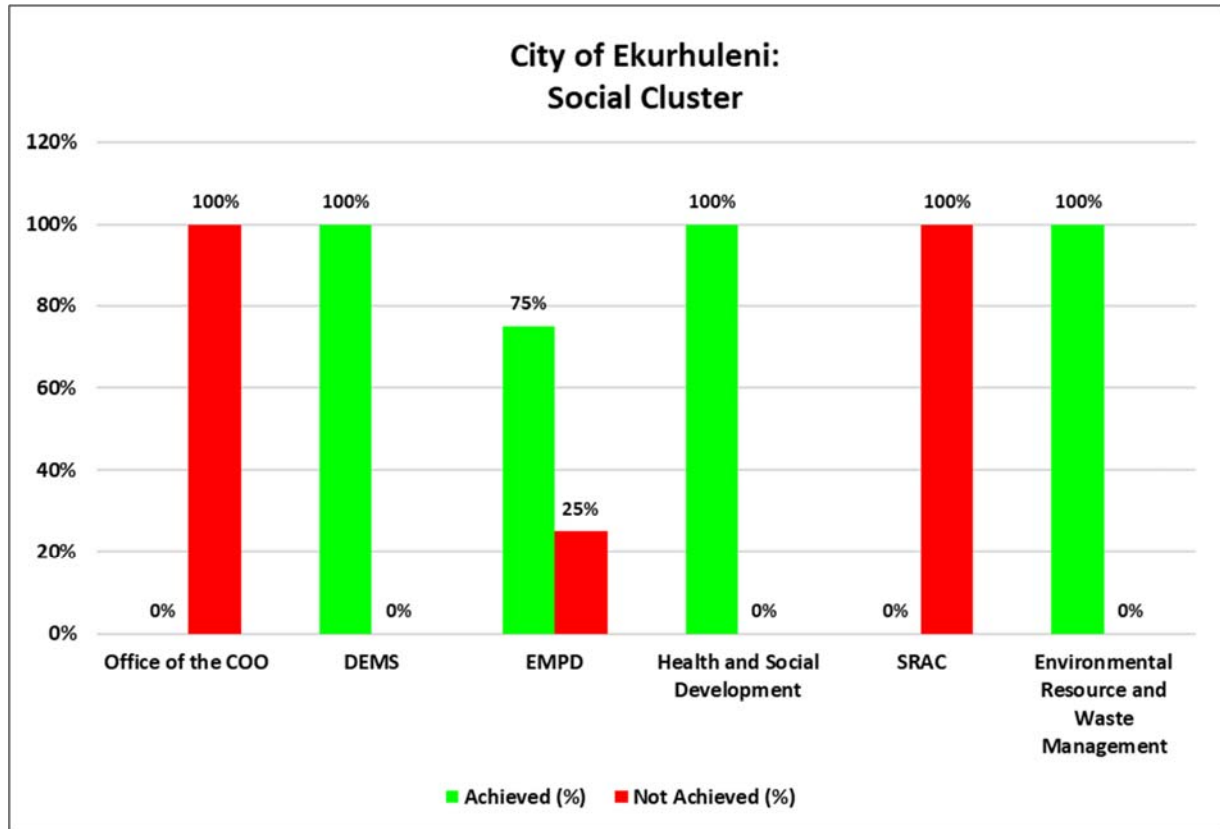
- The highest performance was recorded for the Environmental Wellbeing GDS Thematic Area in which hundred per cent (100%) of the eleven (11) targets that were planned for the financial year were achieved.
- The second highest performance was recorded for targets that were planned for the Job Creating Economic Growth GDS Thematic Area. Five (5) of the six (6) targets that were planned were achieved and this translates to eighty-three per cent (83%) target achievement. This was followed by Social Empowerment GDS Thematic Area with 78% achievement of the nine (9) targets that were planned.
- The above figure indicates that a total of twenty-nine (29) targets were planned for the Effective Cooperative Governance GDS Thematic Area, of which 22 (76%) were achieved and 7 (24%) were not achieved.
- A total of forty (40) targets were planned for the Sustainable Urban Integration GDS Thematic Area. Of the forty (40) targets that were planned, 28 (70%) were achieved and 12 (30%) were not achieved.

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FIGURE 4: CITY-WIDE ANNUAL PERFORMANCE ACROSS SOCIAL CLUSTER



Social Cluster

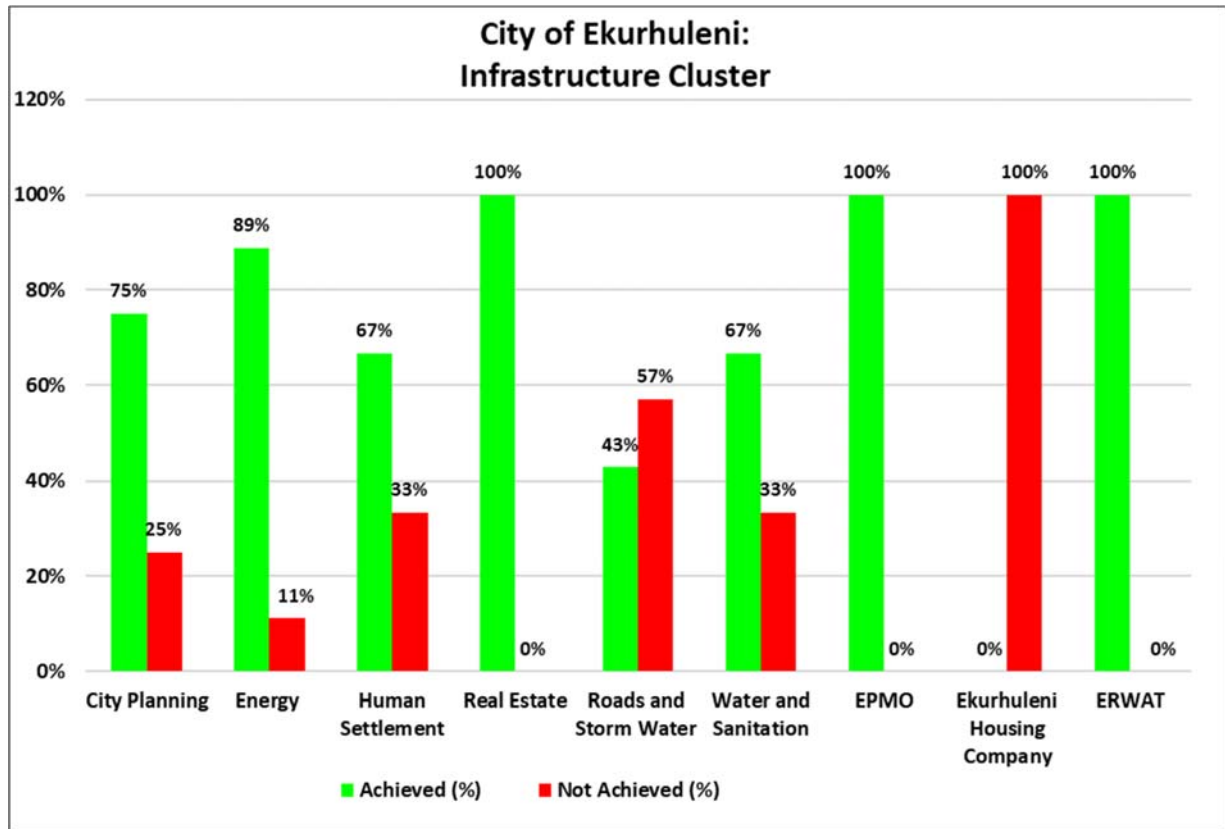
The Social Cluster committed to a total of twenty (20) targets and of the 20 targets, 17 (85%) targets were achieved and 3 (15%) targets were not achieved as presented in Figure 1 above. Three (3) departments in this cluster achieved 100% of their planned targets for the year under review. These departments are Environmental Resource and Waste Management Services; Health and Social Development and Disaster and Emergency Management Services. The second highest performance was recorded by Ekurhuleni Metro Police Department (EMPD) which achieved 75% of its planned targets. Sport, Recreation, Arts and Culture department and Office of the Chief Operations Officer (OCCO) both achieved nil per cent (0%) of their planned targets.

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FIGURE 5: CITY-WIDE ANNUAL PERFORMANCE ACROSS INFRASTRUCTURE CLUSTER



Infrastructure Cluster

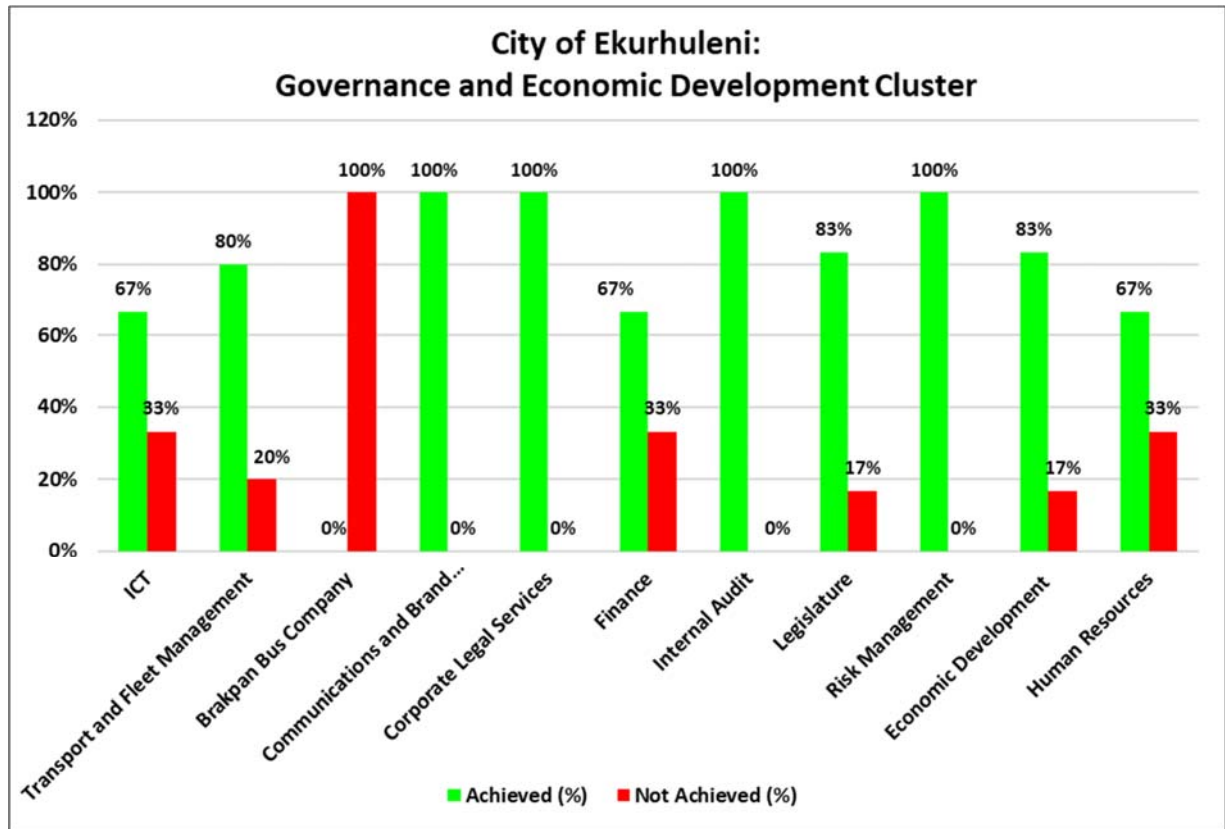
The cluster committed to a total of 39 targets and of the 39 committed targets, 28 (72%) were achieved and 11 (28%) were not achieved. Real Estate; Enterprise Programme Management Office (EPMO) and East Rand Water Care Company (ERWAT) achieved hundred per cent (100%) of their planned targets in this cluster. These are followed by Energy and City Planning departments with 89% and 75%, respectively. Both Water and Sanitation and Human Settlement achieved 67% followed by Roads and Stormwater department with 43%. 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 thirty-six (36) targets that were planned to be met in the 2019/2020 financial year. A total of 28 (78%) targets were achieved and 8 (22%) were not achieved. Four (4) departments (Risk Management, Internal Audit; Communications and Brand Management and Corporate Legal Services) achieved 100% of their set targets. The second highest performing departments are Economic Development and Legislature, both with eighty-three (83%) of their set targets achieved. These are followed Transport and Fleet Management department which achieved eighty per cent (80%) of its targets. The Information Communication and Technology (ICT); Finance and Human Resources departments achieved sixty-seven per cent (67%) of their set targets. Brakpan Bus Company recorded nil per cent (0%) target achievement.

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9. HIGHLIGHTS FOR 2019/2020 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. Despite the Covid-19 related challenges in the last quarter of the financial year, 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.

9.1 SUSTAINABLE URBAN INTEGRATION

All the City's residents in both formal and informal settlements receive a weekly comprehensive waste management service. Through a combination of in-house and outsourced services, 718 655 formal properties receive once a week kerbside refuse removal while 119 informal settlements 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.

The City has prioritized the electrification of informal settlements and a total of 10 886 PV Solar lighting units were installed in the informal settlements. Pre-payment meters are installed to meter the usage of electricity in the re-blocked informal settlements and the network in these areas is constantly monitored. The City also installed high mast lights and streetlights for public lighting in areas which did not have electricity. During the financial year under review, the City has installed a total of 722 street lights and 95 high mast lights throughout the city.

Some of the highlights with regards to water and sanitation provision are that the City received a basic services improvement grant to improve services in the Informal Settlement during the COVID-19 pandemic. The following are the major highlights of performance achieved during the reporting period:

- A total of 2317 new water connection were installed which is 94.5% achievement against the targeted 93%;
- Water quality target of over 95% was achieved keeping the Blue Drop requirement for the City.

The percentage of water complaints callouts and sanitation complaints callouts resolved within 48hours were achieved at 95% and 96%, respectively, meeting the set standard, which is 90%.

The City delivered a total of 2623 chemical toilets bringing the total number of overall toilets to 41083 in the city. There was a high demand of chemical toilets due to the Covid-19 basic services relief program. This contributed to the improvement of the ratio of chemical toilets to household from 1:10 to 1:5 in some informal settlements. The efforts to improve sanitation infrastructure resulted in the replacement, upgrading and extension of over 11, 68 km of sewer pipes. There has also been an improvement in the sewer connections by an additional 2317 connections to the network, which increases access to sanitation for the people in formal dwellings.

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The City is responsible for the management of 8 224 km of paved roads and approximately 1 658 km of gravel road network. In terms of the maintenance of roads, the City's strategy during the 2019/2020 financial year was directed towards ensuring that equal presence in all three regions is achieved. Furthermore, the City continued to put more emphasis on providing access to informal settlement areas in order to ensure that emergency vehicles, such as ambulances, police vehicles and any emergency vehicles, are able to access these areas.

The City was well under way to eradicate the backlog on speed humps but this was negatively impacted by the national lockdown, which started in March 2020. The backlog was eradicated entirely in the Eastern region; 150 speed humps were implemented. 62 Speed humps were implemented in the South and 78 were implemented in the North. The backlog has not yet been eradicated entirely in these two regions.

9.2 SOCIAL EMPOWERMENT

Some of the key service delivery priorities during the 2019/2020 reporting period were: - 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, an HIV transmission rate of from Mother-To-Child of below 2% was achieved. 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. Fifty-four thousand two hundred and fifty (54,250) 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.

Part of the environmental health services is to ensure a reduction in rodent infestation in the City. A reduction in rodent infestation has been observed, with four percent (4%) of inspected premises found to be infested with rodents after intervention in the informal settlements. This was achieved as a result of the intensification of rodent control inspections that were extended to all Ekurhuleni areas including the least infested areas.

The City's Sport, Recreation, Arts and Culture department in conjunction with the Soul City Sports Club and local running Club hosted the fifth Annual World Aids Day Road Races on the 1 December 2019 at the Katlehong Sports Complex. The objectives of the races are to bring the community back into sport and to create awareness in fighting HIV/AIDS through sport. There were a total of one hundred and eighty-seven (187) at the 5km fun run, four hundred and seventy (470) runners which completed the 10km race and three hundred and nine (309) runners that completed the 21km.

9.3 JOB CREATION

The City has continually assisted investors at different stages of investment to remove stumbling blocks to make their developments and investment a reality. The interventions have led to the improved working relationships amongst key role players and departments in the City, especially City Planning, Real Estate, Economic Development and Infrastructure. During the year under review, the City managed to attract R6 549 092 770 Rand Value of Investment. This achievement was against the R6bn target and was achieved despite the challenging

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economic conditions. The Covid-19 had a negative impact on investment within the region and the economic challenges were further compounded by a continued decline in the manufacturing sector which is the second biggest sector in the economy of the region contributing over 20%. The investments came from sectors such as retail and real estate, manufacturing, transport and logistics as well as aviation industry.

These investments were largely new with limited expansions. Amongst the investments attracted are as follows:

- **Development of Tembisa Mall:** The development is a clear indication of the intent to continue supporting investments in Townships in support of township's economy. The development injected over R1bn into the townships economy and creating over 2000 jobs.
- **Expansion of OR Tambo International Airport:** Expansion to accommodate offices, parking, hotels and retail. This amounted to the total Investment of R4.5billion currently under implementation.
- **Sky Park Mixed Use Development:** The development signifies the continued investment along the R21 corridor around the OR Tambo Airport. The investment alone injected over R1bn and is currently under construction.
- **Barloworld Expansion in Isando:** The investment was as a result of Barloworld relocation of their head office to Ekurhuleni in the Isando Industrial Area.
- **Tambo Springs Logistics Gateway:** The continued investment in the Tambo Springs Inland Port in partnership with Transnet, CoE, Gauteng Provincial Government and the Tambo Springs Development Company which involves the installation of bulk infrastructure.

OTHER DEPARTMENTS / BODIES CONSULTED

The Internal Audit department has reviewed the unaudited Annual Financial Statements and unaudited Annual Performance Report as part of the preparation processes and their recommendations were taken into account before these unaudited Annual Financial Statements and unaudited Annual Performance Report are submitted to the National Treasury, COGTA and Auditor General.

RECOMMENDATION

That the Draft Annual Performance Report of the City of Ekurhuleni, including Annual Financial Statements for the financial year 2019/2020, **BE NOTED**.