

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

2022.08.25

A-F (45-2022)

CITY OF EKURHULENI: DRAFT ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS: 2021/2022 FINANCIAL YEAR

1. PURPOSE

To submit the Unaudited Draft Annual Performance Report and the Draft Annual Financial Statements for the year ended 30 June 2022 to Council as per Circular 63 of MFMA, and the Draft 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 2021/2022 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act (MFMA) and the Annual Performance Report for the 2021/2022 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 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.

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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 2021/2022 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 unaudited 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.

The following Annexures are attached to this report:

Annexure A: Unaudited 2021/2022 Draft Annual Financial Statements of the City of Ekurhuleni; and

Annexure B: Unaudited 2021/2022 Draft Annual Performance Report of the City of Ekurhuleni.

A. CONTENTS OF THE UNAUDITED 2021/2022 DRAFT ANNUAL FINANCIAL STATEMENTS

The Unaudited 2021/2022 Draft Annual Financial Statements in Annexure A comprise of the following:

- Statement of financial position showing the financial position as at 30 June 2022;
- Statement of financial performance showing the results of operations (revenue and expenditure) for the year;

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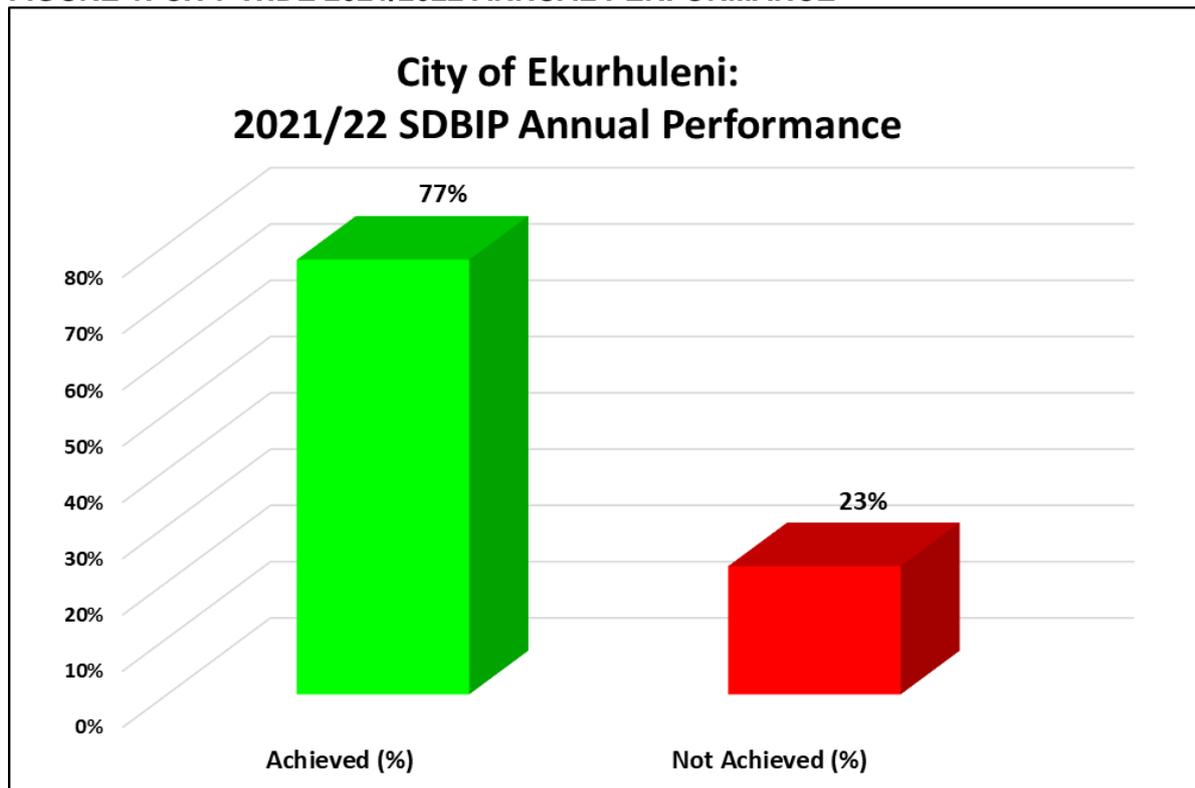
- Statement of changes in Net Assets showing the net worth of the City;
- Cash flow statement showing the sources and use of cash by the City;
- Appropriation statement that shows the comparison between budget and actual results;
- Accounting policies, conventions and assumptions used in the compilation 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 A.

B. SDBIP PERFORMANCE/ NON-FINANCIAL PERFORMANCE INFORMATION

**SUMMARY OF THE UNAUDITED DRAFT SDBIP ANNUAL PERFORMANCE REPORT
(NON-FINANCIAL PERFORMANCE INFORMATION): FINANCIAL YEAR 2021/2022 CITY-
WIDE PERFORMANCE**

FIGURE 1: CITY-WIDE 2021/2022 ANNUAL PERFORMANCE



The City committed to a total of hundred and one (101) targets in the 2021/2022 financial year. Against these commitments, 78 (77%) of the targets were achieved and 23 (23%) were not achieved. The committed targets were contributed by the twenty-four (24) departments and entities for the City-wide SDBIP. Of the twenty-four (24) departments and entities that committed to the targets, thirteen (13) departments achieved hundred per cent (100%) of their planned targets. Five (5) departments and one (1) entity achieved fifty per cent (50%) and less of their planned targets, with Service Delivery Coordination department achieving none (0%) of their planned targets.

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FIGURE 2: CITY-WIDE 2021/2022 ANNUAL PERFORMANCE PER CLUSTER

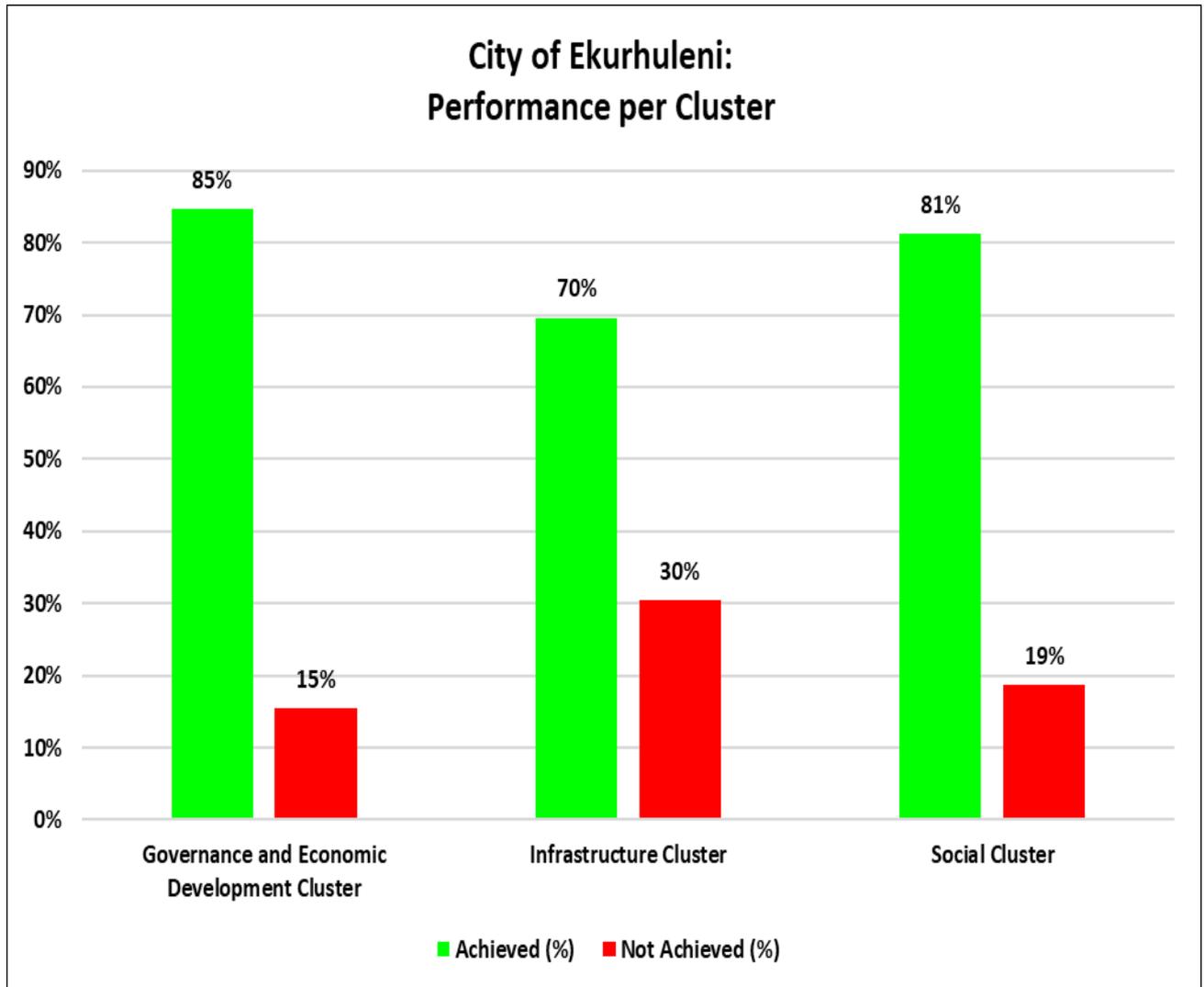


Figure 2. above presents the City's annual performance against the targets set for the 2021/2022 financial year per cluster. The figure shows that the Governance and Economic Cluster recorded the highest performance of eighty-five per cent (85%) target achievement followed by Social Cluster which recorded eighty-one per cent (81%) target achievement. Infrastructure Cluster recorded seventy per cent (70%) achievement.

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

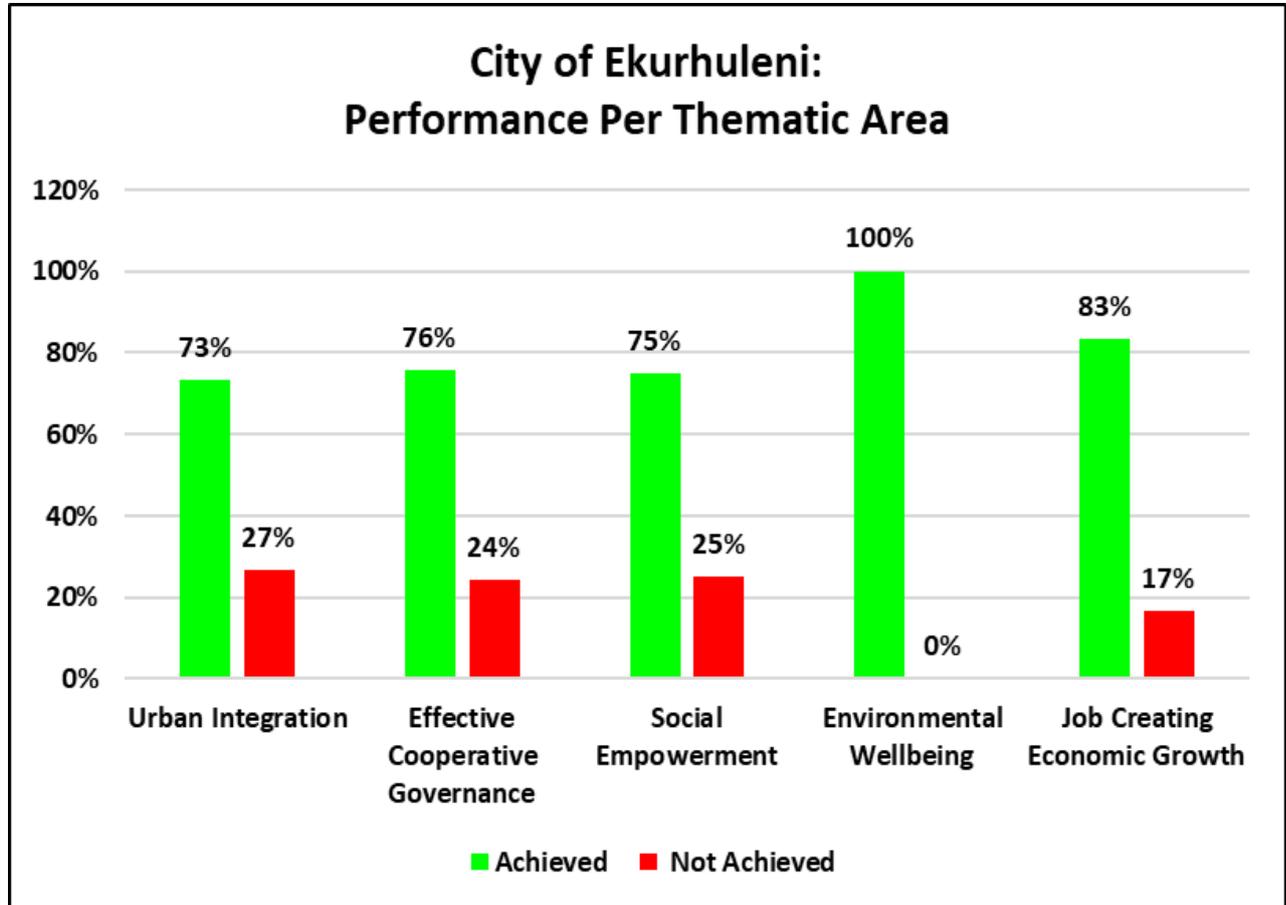


Figure 3. above presents the performance against the Thematic Areas of the Growth and Development Strategy (GDS) on targets that were planned to be delivered over the period under review and the performance is summarised as follows:

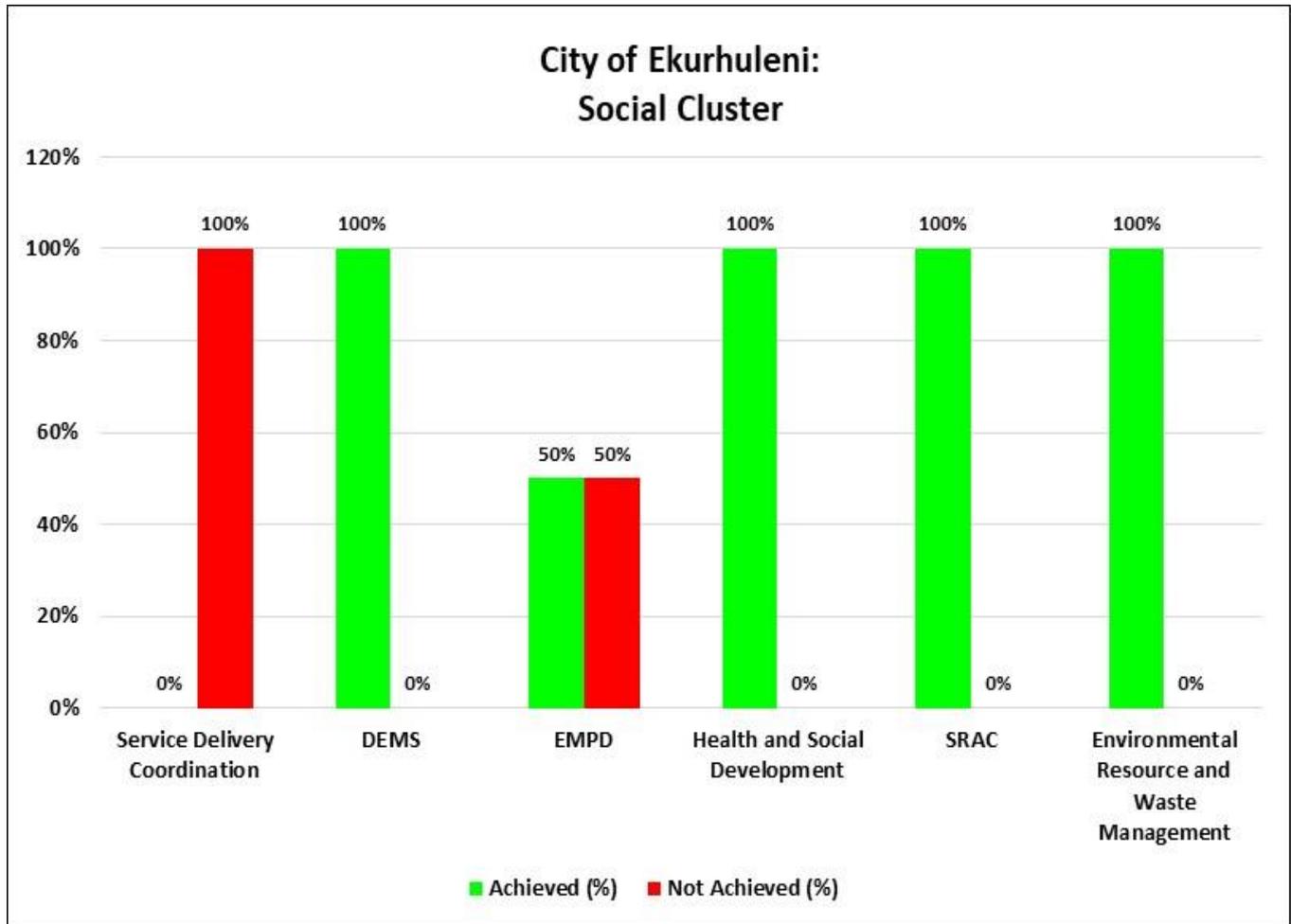
- The highest performance was recorded for the Environmental Wellbeing GDS Thematic Area in which hundred per cent (100%) of the seven (7) targets that were planned for the financial year were achieved.
- The second highest performance was recorded for targets that were planned for the Job Creating Economic Growth GDS Thematic Area. Ten (10) of the twelve (12) targets that were planned were achieved and this translates to eighty-three per cent (83%) target achievement.
- A total of twenty-nine (29) targets were planned for the Effective Cooperative Governance GDS Thematic Area. Of the twenty-nine (29) targets that were planned, 22 (76%) were achieved and 7 (24%) were not achieved.
- The above figure indicates that a total of eight (8) targets were planned for the Social Empowerment GDS Thematic Area, of which 6 (75%) were achieved and 2 (25%) were not achieved.
- The Sustainable Urban Integration GDS Thematic Area recorded the lowest achievement at 73% from a total of 45 targets that were planned for the financial year

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FIGURE 4: CITY-WIDE ANNUAL PERFORMANCE ACROSS SOCIAL CLUSTER



Social Cluster

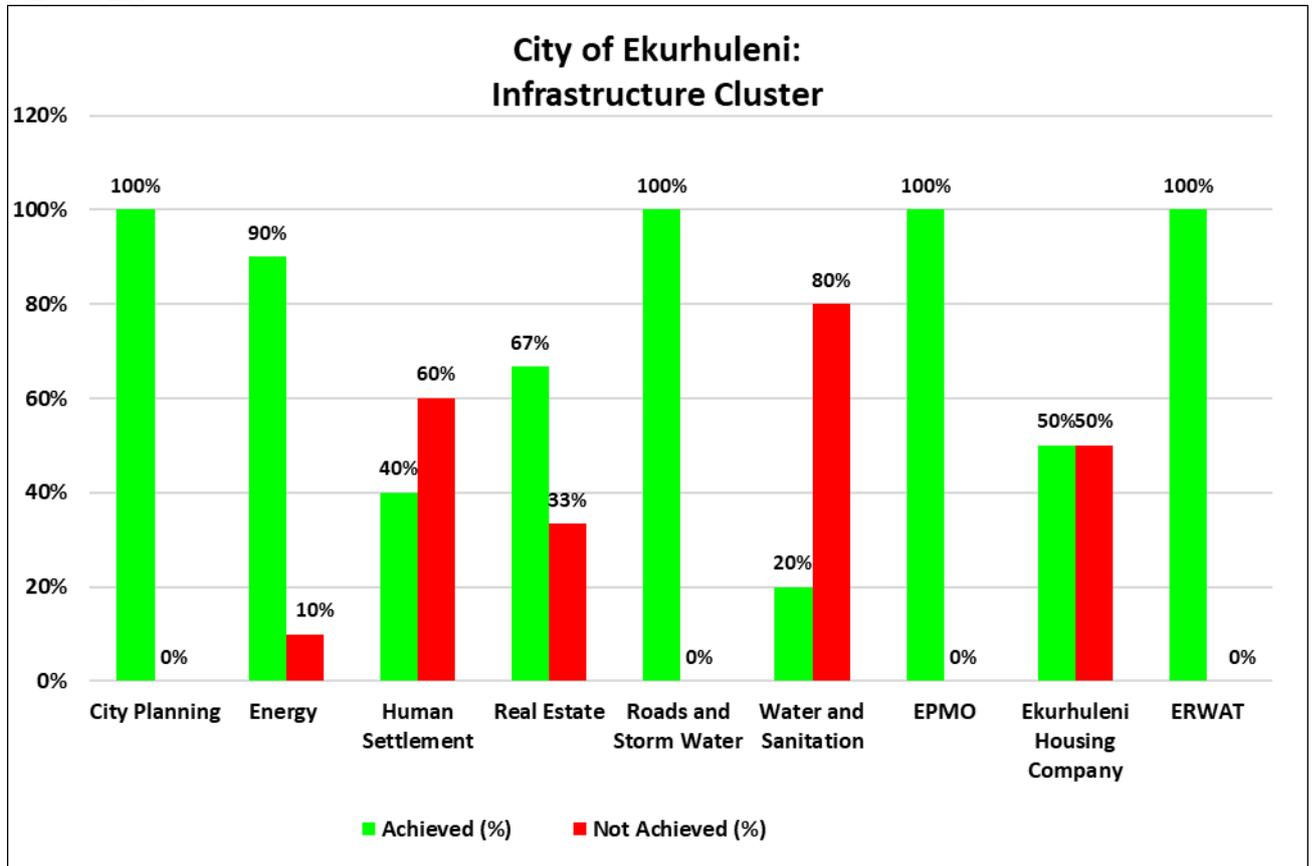
The Social Cluster committed to a total of sixteen (16) targets and of the 16 targets, 13 (81%) targets were achieved, and 3 (19%) targets were not achieved as presented. Four (4) departments in this cluster achieved 100% of their planned targets for the year under review. These departments are Environmental Resource and Waste Management Services; Sports, Recreation, Arts and Culture; Health and Social Development and Disaster and Emergency Management Services. The second highest performance was recorded by Ekurhuleni Metro Police Department (EMPD) which achieved 50% of its planned targets. Service Delivery Coordination department achieved nil per cent (0%) of their planned targets.

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FIGURE 5: CITY-WIDE ANNUAL PERFORMANCE ACROSS INFRASTRUCTURE CLUSTER



Infrastructure Cluster

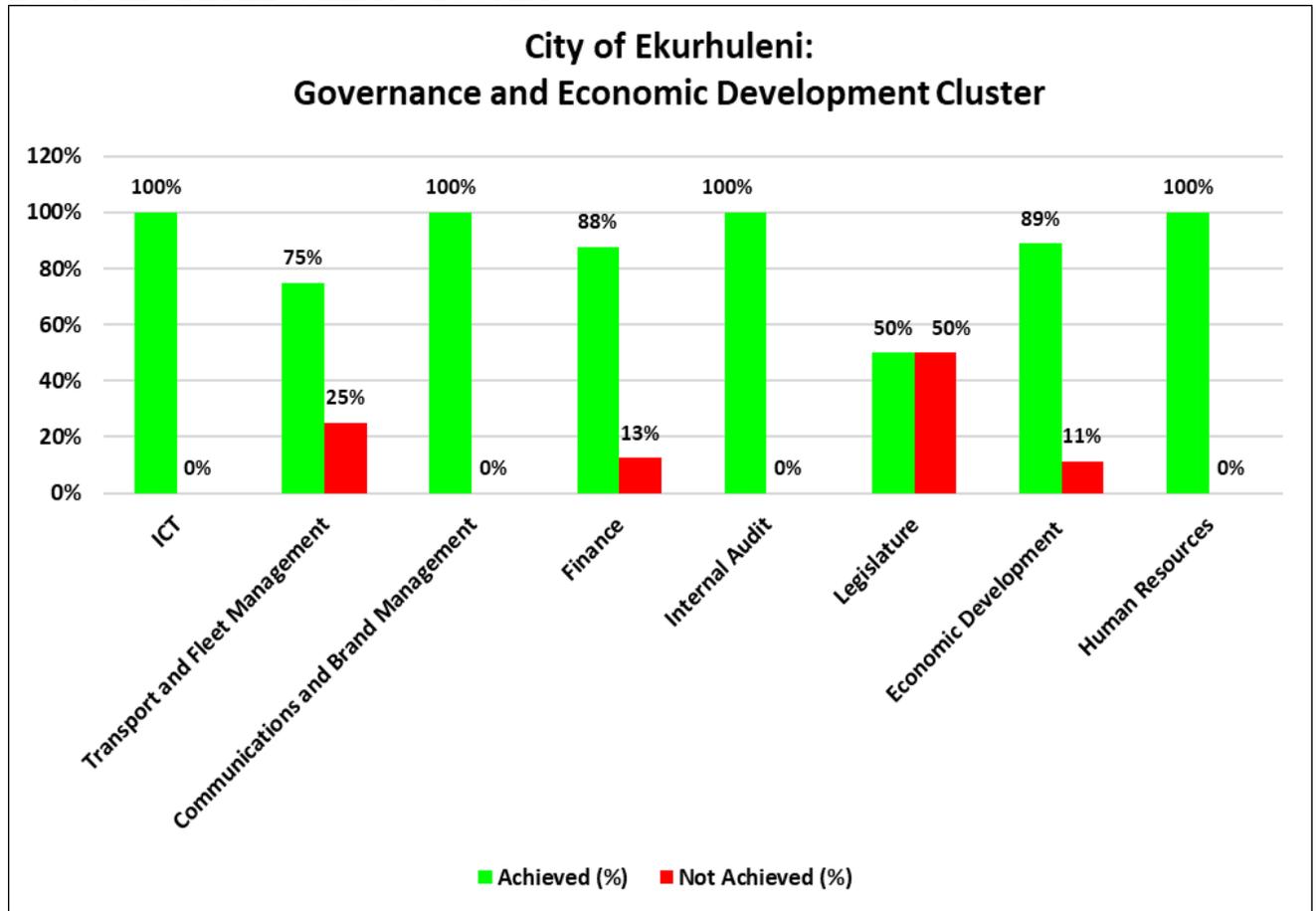
The cluster committed to a total of 46 targets and of the 46 committed targets, 28 (61%) were achieved and 18 (39%) were not achieved. City Planning, Enterprise Programme Management Office (EPMO), Roads and Stormwater and Ekurhuleni Water Care Company (ERWAT) achieved hundred per cent (100%) of their planned targets in this cluster. These are followed by Energy department with 90%. Real Estate achieved 67% and EHC achieved 50%. Human Settlement achieved 40% followed by Water and Sanitation department at 20%.

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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-nine (39) targets that were planned to be met in the 2021/2022 financial year. A total of 33 (85%) targets were achieved and 6 (15%) were not achieved. Five (5) departments (Risk Management, Information Communication and Technology (ICT); Communications and Brand Management, Internal Audit and Human Resources) achieved 100% of their set targets. The second highest performing departments is Economic Development, with eighty-nine (89%) of their set targets achieved. This is followed by Finance department which achieved eighty-eight per cent (88%) of its targets followed by Transport and Fleet Management at seventy-five (75%). The Legislature achieved fifty per cent (50%) of their set targets.

7. HIGHLIGHTS FOR 2021/2022 ANNUAL PERFORMANCE

During the current period under review, the key focus was on back-to-basics approach which included the improvement of the quality of targeted services to the community of Ekurhuleni including 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.

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7.1 SOCIAL EMPOWERMENT

This thematic area aims at building a socially cohesive, healthy, active, and engaged citizenry capable of working in partnership. The City embarked on a number of initiatives that yielded some commendable results. These included:

- SRAC implemented 49 school programmes during the reporting period engaging with children on leading active and positive lives for their own development.
- Commendable strides were made in the provision of health care services. Some of the notable achievements included the:
 - Reduction of HIV transmission from Mother-To-Child to a level of 0.8% by 30 June 2022 which is well below the National Indicators of 2%.
- In contributing towards the attainment of the City's pro-poor agenda, the Department of Health and Social Development continued the implementation of its Indigent Support Programme aimed at improving the lives of the indigent households. During the year under review, a total of 4 643 new indigent households were approved as part of the process to get the finance final approval to receive the free basic services.

Safety and security across the City continues to be a high priority. The municipality focused on reducing accidents, fatalities and injuries and restore confidence and respect for road traffic management. This was done through heightened awareness of road traffic safety issues and by-law enforcement operations thereby inculcating good road user behaviour and voluntary compliance to by-laws and traffic laws. A total of 161 planned by-law enforcement policing operations were implemented during the year under review while 519 interventions to reduce crime and related incidents were implemented.

7.2 JOB CREATION

The city recognises unemployment, poverty, homelessness as fundamental challenges human development, restoration of human dignity which are being addressed as part of the pro-poor agenda. Unemployment has continued to be a challenge, and this undermines expectations for increased employment opportunities. In pursuit of addressing this challenge at a local level, the city has placed 115 young people who are benefiting from work readiness programme whilst 6 000 work opportunities were created by the municipality through public employment programmes (incl. EPWP, CWP and other related employment programmes).

8. ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

9. FINANCIAL IMPLICATIONS

None

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10. LEGAL IMPLICATIONS

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

11. COMMUNICATION IMPLICATIONS

None

12. OTHER DEPARTMENTS/ BODIES CONSULTED

The Internal Audit Department is reviewing the Draft Annual Financial Statements and the Draft Annual Performance Report as part of the Annual Report preparation processes and their recommendations will be taken into account before these Draft Annual Financial Statements and Draft Annual Performance Report are submitted to the National Treasury, COGTA and Auditor-General South Africa.

RECOMMENDATION

That the Draft Annual Performance Report of the City of Ekurhuleni, including Annual Financial Statements for the financial year 2021/2022, **BE NOTED**.