

Endumeni Municipality

Audit Committee

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON WEDNESDAY, 30 MARCH 2011 AT
10h00 IN THE COUNCIL CHAMBERS, CIVIC CENTRE, DUNDEE 3000**

ooOoo

PRESENT: Mr N Rajkumar, The Chairman
Mr V Mseleku, Member
Mr L Steenkamp, Member
Mr JB Maltman, Acting Municipal Manager
Mr I Grisdale, Chief Financial Officer
Mr S Perumall, Executive Manager: Corporate Services
Mr CJ Carelse, Acting Manager: Technical Services
Mr Ryaan Lahldas, Gobodo Inc
Mr T Ncube, COGTA
Mr B Strydom, COGTA

ooOoo

1. OPENING

Mr N Rajkumar, the Chairman welcomed everyone. Mr Steenkamp opened the meeting with prayer.

2. NOTICE OF MEETING

Mr N Rajkumar, read the Notice of the Meeting aloud.

3. APPLICATION FOR LEAVE OF ABSENCE / APOLOGIES

The office of the Auditor General.

4. OFFICIAL ANNOUNCEMENTS

None

5. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the meeting held on the 10th of March 2011 and attached to the Agenda as Annexure A was approved.

Verbal reports regarding the following items were requested by Mr N Rajkumar:

AC 8(8) - Ad Hoc Project 01 Report handed to attendees. Copy of report attached for ease of reference as "Annexure 1". Final Report to be available in April once all amounts have been verified. Once report is finalised by Gobodo, a special Audit Committee Meeting will be called to table report.

- AC 8(12) - CaseWare Financial Statement Module has been installed and training is currently underway. Once Budget and Reporting Modules are installed and tested, training of 5 staff members will begin.
- AC 9(2) - Mrs E Botha is currently on leave and the issues raised will be taken up with her upon her return. Mr Grisdale will give feedback at the next Audit Committee Meeting. Revenue Enhancement Report compiled by IGS handed out to members. "Annexure 2"
- AC 9(3) - Mr Rajkumar to provide Surina with possible dates for meetings with managers. To be present at each meeting: All Audit Committee Members, Acting Municipal Manager & the respective manager
- AC 9(4) - Copy of Agenda of Auditor General Meeting and Engagement Letter handed to each member (copy annexed "Annexure 3")
- AC 9(5) -
- A. ELECTRICITY LOSSES – Communication Manager attending to issue of community meetings
 - B. MEETING WITH NERSA – Copy of electricity tariffs as tabled in draft budget handed to committee members (copy annexed "Annexure 4")
- AC 9(6) - Matter ongoing – meeting to be held with Gobodo in terms of the Supply Chain Management Policy in place.

6. STATUTORY APPOINTMENTS AND ELECTIONS

Nil

7. QUESTIONS OF WHICH NOTICE HAS BEEN GIVEN

None

8. MATTERS ADJOURNED FROM PREVIOUS MEETING, INCLUDING MATTERS TO BE RE-CONSIDERED (MOTIONS) EXCLUDING DEFERRED MOTIONS

Nil

9. PECUNIARY INTEREST

None.

10. DETERMINATION OF AGENDA

AC 10(1)

GOBODO REPORT: VISIT 1 OF 2010/2011

The report was duly noted.

AC 10(2)

SUB COMMITTEE – MINUTES (AUDITOR GENERAL FINDINGS)

Feedback was requested from Mr S Perumall and Mr I Gridale regarding the sub committee meetings.

SUB COMMITTEE – TRAFFIC FINES

Mr Perumall reported that the sub committee formed to deal with the issue of Traffic Fines have met and progress is being made regarding the collection of information from the Magistrate's Courts and the reconciling of it with the TCS System.

Another meeting is planned to take place in April to obtain further feedback from Mr Charl Wait and Mr Frik Coetzee who is directly involved in the process.

Gobodo requested to verify information regarding Traffic Fines.

SUB COMMITTEE – ASSETS & CASEWARE

Moveable Assets: Mr Gridale to collect scanners from PWC. In the week beginning the 11th of April 2011, Combined Systems / PWC to install the BAUD Software on our system. Mr Dave Geils will also be at our offices in this week to oversee.

Proposals to appoint an Auctioneer to go out to enable the municipality to get rid of all the unwanted assets that need to be written off and sold.

Immovable Assets: PWC busy with process. Mr Gridale further reported that a verbal report was given to the Auditor General when they visited the municipality and they were happy with the progress made by us thus far.

Another sub committee meeting is to be convened in April.

Caseware: First module installed, testing being done. As per report given under 5. AC 8(12).

AC 10(3)

RECRUITMENT OF STAFF – RECRUITMENT POLICY

Recruitment Policy in place attached to minutes "Annexure 5".

AC 10(4)

SKILLS AUDIT – EACH DEPARTMENT

Staff underwent training by the Department COGTA. Skills audit to be undertaken. Each individual to be assessed. Progress Report to be given at next Audit Committee meeting.

AC 10(5)

PUBLIC AMENITIES

Item to be noted. Discussions have taken place with relevant manager on improvements that can be made.

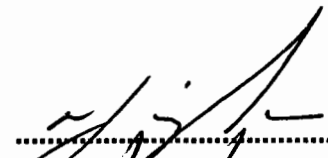
AC 10(6)

AD HOC AUDIT: GLENCOE

Report currently with Endumeni Management for comments.
Completed report to be submitted at next Audit Committee Meeting.

11. CLOSURE

There being no further items to discuss, the Chairman declared the meeting closed at 11h00.

Chairperson: 

Date: 

ANNEXURES

Annexure 1

Item 5. **AC 8(8)**

Gobodo Ad Hoc Report Project 01

Annexure 2

Item 5. **AC 9(2)**

Revenue Enhancement Report issued by IGS.

Annexure 3

Item 5. **AC 9(4)**

Auditor General Agenda & Engagement Letter

Annexure 4

Item 5. **AC 9(5) B.**

Copy of extract from Draft Budget relating to proposed electricity tariffs.

Annexure 5

Item 10. **AC 10(3)**

Recruitment Policy.



ENDUMENI LOCAL MUNICIPALITY

INTERNAL AUDIT REPORT

AD HOC PROJECT 01

MARCH 2011

DISTRIBUTION LIST:

Name of Responsible Personnel	Designation of Responsible Personnel
N. Rajkumar	Chairperson: Audit Committee
J.B. Maltman	Acting Municipal Manager
I. Gridale	Chief Financial Officer





29 March 2011

The Acting Municipal Manager
Mr. J.B. Maltman
ENDUMENI LOCAL MUNICIPALITY
PO Box 1965
Dundee
3000

Dear Sir,

In terms of our scoping letter for Ad hoc project: 01 that was approved by management on _____, we have performed a review of the Umzinyathi debtor relating to water services rendered by Endumeni Local Municipality on behalf of Umzinyathi District Municipality. The review was conducted during March 2011.

All the matters raised have been discussed with senior officials and we would like to express our appreciation to the various members of staff who have assisted us in carrying out our work.

The attached report records the result of our review. The attached report has been set out in two sections:

Section A An executive summary documenting the mandate, audit objectives, scope of project, audit approach, sources of information, fraud and internal control and risk / threat rating and limitation of scope.

Section B Summary of results.

This report has been prepared for the sole use of Endumeni Local Municipality's management. We do not accept responsibility to any other party to whom it may be shown or who of their own volition may decide to rely on it. It should be clearly understood by third parties that they enjoy such receipt for information only and that we accept no duty of care to them in respect of this report.

If you have any queries pertaining to the contents of this document, please contact Mahendra Naicker on 031 539 4800 / 083 799 1243 / mahendra.naicker@gobodo.co.za or Ryaan Lahldas on 031 539 4800 / 082 563 9344 / ryaan.lahldas@gobodo.co.za

Yours faithfully,

Mahendra Dama

Director

Gobodo Inc.

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**ENDUMENI LOCAL MUNICIPALITY
AD HOC PROJECT 01
MARCH 2011**

SECTION A

1. MANDATE

The Internal Audit review for ad hoc project 01 at the Endumeni Local Municipality was conducted in terms of the scoping letter that was approved by management on _____.

2. AUDIT OBJECTIVES

The primary objective of the review was to verify that the expenditure being claimed by Endumeni Local Municipality from Umzinyathi District Municipality relating to water services is complete, accurate and valid.

3. SCOPE OF PROJECT

The scope of work entailed verification of amounts being claimed by Endumeni Local Municipality from Umzinyathi District Municipality. The amounts claimed have been split into two (2) votes as follows:

Sewerage account number 0010000916; and
Water account number 0010000917.

The sewerage account (0010000916) was made up of the following sub-accounts:

Number	Description	Amount being claimed (R)
1	Interest and redemption	6,833,920.98
2	Salaries	258,396.86
3	Motor licenses	21,249.50
4	Telephone	22,180.47
5	Sewer expenses	888,782.19
6	Administration charges	1,162,387.00
7	Security	11,571.00
8	Insurance	111,885.40
9	Credit notes	(67.84)
Total		9,310,305.56

The water account (0010000917) was made up of the following sub-accounts:

Number	Description	Amount being claimed (R)
1	Interest and redemption	5,706,001.75
2	Salaries	260,947.15
3	Motor licenses	3,331.75
4	Telephone	(2,537.87)
5	Water expenses	284,709.30
6	Administration charges	2,134,496.60
7	Value Added Taxation (VAT)	24,496.95
8	Insurance	43,702.56
9	Other	624.00
Total		8,455,772.19

The total claim being made by Endumeni Local Municipality from Umzinyathi District Municipality amounts to **R 17,766,077.75** (R 9,310,305.56 + R 8,455,772.19).

4. AUDIT APPROACH

The audit approach was based on the following key procedures:

- Verify amounts being claimed as noted above to supporting documentation to confirm that the amounts being claimed are accurate, complete and valid.
- Compile Internal Audit report for Ad hoc project 01.

5. SOURCES OF INFORMATION

Discussions were held with appropriate management. Audit evidence was obtained through inspection of supporting documentation in order to verify authenticity of claimable amounts.

Our report has been prepared for your information and that of management of the Endumeni Local Municipality. We do not accept responsibility to any other party to whom it may be shown, or who, on their own volition, may decide to rely on it.

ENDUMENI LOCAL MUNICIPALITY
AD HOC PROJECT 01
MARCH 2011

SECTION B

1. SUMMARY OF RESULTS

The sewerage account (0010000916) audited claim is as follows:

Description	Amount being claimed (R)	Audit recalculation	Amount claimable by Endumeni from Umzinyathi	Audit remarks
Interest and redemption	6,833,920.98	6,749,552.11	6,749,552.11	Claimable
Salaries	258,396.86	258,396.86	0.00	Not claimable as there is no supporting documentation
Motor licenses	21,249.50	21,249.50	21,249.50	Claimable
Telephone	22,180.47	22,180.47	0.00	Not claimable as there is no supporting documentation
Sewer expenses	888,782.19			
Administration charges	1,162,387.00	1,010,522.00	1,010,522.00	Claimable
Security	11,571.00	11,571.00	11,571.00	Claimable
Insurance	111,885.40	111,885.40	111,885.40	Claimable
Credit notes	(67.84)			
Total	9,310,305.56	7,174,835.34	7,904,780.01	

**ENDUMENI LOCAL MUNICIPALITY
AD HOC PROJECT 01
MARCH 2011**

The water account (0010000917) audited claim is as follows:

Description	Amount being claimed (R)	Audit recalculation	Amount claimable by Endumeni from Umzinyathi	Remarks
Interest and redemption	5,706,001.75		5,190,828.53	Claimable
Salaries	260,947.15	260,947.15	0.00	Not claimable as there is no supporting documentation
Motor licenses	3,331.75	3,331.75	3,331.75	
Telephone	(2,537.87)	(2,537.87)	0.00	Not claimable as there is no supporting documentation
Water expenses	284,709.30			
Administration charges	2,134,496.60			
Value Added Taxation (VAT)	24,496.95			
Insurance	43,702.56	43,702.56	43,702.56	Claimable
Other	624.00			
Total	8,455,772.19	305,443.59	5,237,862.84	

Summary of audit calculations (R):

Amount being claimed (R)	Audit recalculation	Amount claimable by Endumeni from Umzinyathi
17,766,077.75	13,681,629.46	13,142,642.85

Summary of audit calculations (%):

Amount being claimed (R)	Audit recalculation	Amount claimable by Endumeni from Umzinyathi
17,766,077.75	77%	74%

The above figures are as at 29 March 2011 at 14:30.

916: Sewer

Number	Description	Amount being claimed (R)	Audit recalculation	Amount claimable by Endument from Umzinyathi	Remarks
1	Interest and redemption	6,833,920.98	6,749,552.11	6,749,552.11	Claimable
2	Salaries	258,396.86	258,396.86	-	Not claimable as there is no supporting documentation
3	Motor licenses	21,249.50	21,249.50	21,249.50	Claimable
4	Telephone	22,180.47	22,180.47	-	Not claimable as there is no supporting documentation
5	Sewer expenses	888,782.19			
6	Administration charges	1,162,387.00	1,010,522.00	1,010,522.00	Claimable
7	Security	11,571.00	11,571.00	11,571.00	Claimable
8	Insurance	111,885.40	111,885.40	111,885.40	Claimable
9	Credit notes	(67.84)			
Total		9,310,305.56	8,185,357.34	7,904,780.01	

917: Water

Number	Description	Amount being claimed (R)	Audit recalculation	Amount claimable by Endument from Umzinyathi	Remarks
1	Interest and redemption	5,706,001.75	5,190,828.53	5,190,828.53	Claimable
2	Salaries	260,947.15	260,947.15	-	Not claimable as there is no supporting documentation
3	Motor licenses	3,331.75	3,331.75	3,331.75	Claimable
4	Telephone	(2,537.87)	(2,537.87)	-	Not claimable as there is no supporting documentation
5	Water expenses	284,709.30			
6	Administration charges	2,134,496.60			
7	Value Added Taxation (VAT)	24,496.95			
8	Insurance	43,702.56	43,702.56	43,702.56	Claimable
9	Other	624.00			
Total		8,455,772.19	5,496,272.12	5,237,862.84	

Amount being claimed (R)	Audit recalculation	Amount claimable by Endument from Umzinyathi	Difference (amount claimed versus amount claimable)
17,766,077.75	13,681,629.46	13,142,642.85	4,623,434.90

Amount being claimed (R)	Audit recalculation	Amount claimable by Endument from Umzinyathi	Difference
17,766,077.75	77%	74%	1776607701%

The above figures are as at 29 March 2011 at 14:30.

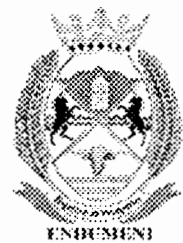
Endumeni Municipality Revenue Enhancement Status Quo Report

15 March 2011



IGS Consulting

Innovative Government Solutions Consulting (Pty) Ltd



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Executive Summary

In South Africa as in many developing countries the capacity of local government to give effect to its fiscal power is a serious limitation. This is compounded by the integration of previously disadvantaged communities, a culture of non-payment, and poor administrative systems all of which has resulted in staggeringly high levels of debt.

On paper the solutions are easy: increase revenue, reduce expenditure or do a combination of both. However, in reality the challenge is more complex and multi-faceted – there are political and socio economic facets as well as institutional aspects, including shortage of skills, performance oriented staff and adequate physical resources. Over the past decade many municipalities have become less sustainable as they are confronted escalating uncollectable consumer debt and service delivery backlogs.

The challenge facing Endumeni Municipality (EM) is to successfully turn around the current declining cash position and to build a sustainable municipality for the future, revenue enhancement is one of the arsenals of “turn around strategies” that can and should be used to address the challenge.

Implementing a revenue enhancement turnaround strategy can only be achieved by critically reviewing the current revenue management business models and processes being applied within the municipality. To effectively deal with the current challenges (EM) must plan and implement effective and integrated revenue enhancement strategies. Revenue enhancement is a process focused on the holistic improvement of municipal business model. To improve on the current business model it is important to identify all the critical elements that currently affect municipal revenue performance.

The Revenue Enhancement Framework

The framework for the revenue enhancement strategy, taking into consideration the unique requirements of EM will comprise a phased approach. The time frame of the implementation of the strategic interventions has been divided between:

- **Quick wins** strategic interventions to be implemented within 6 months;
- The **Medium term** interventions which focus on strategic actions to be implemented between 6 to 18 months; and
- The **Long term interventions**, which focus on strategic actions that will take longer than 18 months for implementation.

Quick Wins 1-6 months

The interventions that can be started and completed in 6 months that will address the key issues identified are the following:

- Establish the revenue enhancement steering committee which will oversee the implementation of the strategic interventions and monitor and manage achievement of the set goals, objectives and benefits; and

- In phase II of this project develop a detailed revenue enhancement strategy and implementation plan.

Policies

- Review of the customer deposit policy;
- A credit control policy needs to be developed for EM and the existing credit control by-laws revised and adjusted to give effect to this policy;
- In general it can be concluded that the tariff policy deals with most of the relevant aspects. It, however, can be improved by including the following matters:
 - Insert a section on definitions explaining key words and expressions in the document;
 - Elaborate on how EM intends catering for the poor households and the provision of free and basic services; and
 - Expand on the pricing strategy and explain the calculation of tariffs outlining the basic tariff structure and method of calculation.
- In general it can be concluded that the indigent policy deals with most of the relevant aspects. It, however, can be improved by including the following matters:
 - It is important that the households of indigent consumers are visited on a regular basis. One cannot carry on subsidising a consumer if the situation has changed and the household does not qualify anymore. If resources to perform these audits are limited a staggered approach must be adapted. This implies that applications for indigents must be allowed all year round and a well-controlled auditing system must be in place to audit a certain number of households per month;
 - Integrate policy with strategic management plans and procedures so as to ensure that the municipality will be able to sustain its Free Basic Services (FBS) programme;
 - Amend the policy to reflect the recommended changes by Council;
 - Register, verify, screen, and approve indigents;
 - Establish and maintain an indigent grant register;
 - Communicate the indigent grant management processes and procedures to all stakeholders;
 - Indigent consumers must be isolated from the normal credit control and debt collection processes;
 - A process should be introduced where the monthly accounts can be compared to the subsidies granted;
 - Invite indigents to reapply annually for the indigent subsidy;
 - Place adverts and public notices in the local newspapers and in public areas;
 - The qualifying threshold of R1150 needs to be assessed and revised; and
 - The use of qualified personnel the like of a social worker is needed to investigate those cases that are in dire need of assistance e.g. homes run by orphans, the very old and frail etc.
- Develop and implement a **customer care policy** and customer care charter.

- Develop and implement a standard procedure for logging complaints, referring the matter to the correct departments and receiving feedback on the status of the complaint;
 - Invite customers to give feedback on EM's performance in relation to service delivery and customer satisfaction. This could be done with questionnaires or electronic tools;
 - Provide accessible mechanisms for dealing with complaints. As previously mentioned, a dedicated customer care unit is required. All complaints must be recorded in a register and followed up to ensure prompt responses by the officials;
 - Customers must be allowed to pay an amount equal to the average consumption of the previous three months until the query has been resolved. Disconnection or legal action must be suspended until the query has been resolved; and
 - Enquiries received should be acknowledged in writing by the relevant department. After the query has been attended to, the consumer should again be informed in writing about the outcome and ensuing status of the account. The complaints register should be reviewed by members of senior management. Numerous complaints of a similar nature should be investigated internally.
- Review **overtime policy** and agreements with labour with the objective of ensuring qualified technical staff do not get excessive time off during normal business hours.

Communication

- Improve interdepartmental communication to address revenue leakages;
- Embark on external communication campaign;
- Launch a drive to inform the community on the billing system using an illustrated information pamphlet written in English and appropriate vernacular language(s). Advice should also be included on recommended conservation measures to help individual households reduce consumption and cost of services;
- Provide training to ward committee members on all aspects of the billing system, including the compilation and layout of accounts. Supply committee members with sufficient copies of the pamphlets so that they are available for further distribution if and when necessary;
- Publish the information pamphlet in community newspapers, if available;
- Combine the above awareness campaign with the promotion of the indigent policy;
- With the assistance of councillors implement a communication strategy for the areas where non-payment is high;
- Develop a sound communications strategy built on sound, forward-looking programmes, projects, and policies;
- Determine who can and cannot pay for their services and why they can or cannot pay.
 - Target stratification is essential to ensure that the right message gets to the right people in a manner that they understand and can react to. From information obtained in the status quo assessment, as well as municipal reports, income surveys, social surveys, and debtor records, socio-economic profiles should be drawn up so that target markets can be identified according to those profiles. This information should then be used to design

audience specific communication strategies. In sum, socio-economic profiles are useful tools for identifying who should receive what communication message; and

- Attitude and perception studies related to municipal services, service delivery, and payment for those services should be done in key target areas to identify and understand perceptions and attitudes, as well as misconceptions, prejudices, and community priorities.
- Use the following communication media as a means of getting through to the community:
 - **Pamphlets** have the advantage of being relatively inexpensive to produce and easy to distribute;
 - The ideal use of **posters** is to remind people of something that they already know, or to heighten their interest in something about which they have some knowledge;
 - **Workshops** are important forms of communication when properly facilitated and managed. They allow for challenge and discussion and, if well attended and properly promoted, are able to stimulate awareness quickly and cost-effectively; and
 - **Public meetings** are best suited for disseminating information, in other words for providing one-way communication and they therefore fulfill a very limited role in development communications, which require a free two-way flow of information.
 - **Radio** is ubiquitous and yet it is personal; this is its great strength. However, unless there is a popular local radio station aimed at a local listenership, its use will be very limited, as radio is best suited for more general communication at regional, provincial, and national levels.

Credit Control and Debt Collection

- The handover of consumer accounts to attorneys should be incorporated into Munsoft;
- Compare the pre-paid system to Munsoft and block those in arrears;
- Expand the debtors age analysis to include debtors beyond the standard ageing category of 150+ days;
- There should be a political will to enforce the credit control and debt collection procedures;
- Develop an approach to deal with government debt (this could include a petition to National Treasury);
- Take decisive action when dealing with debtors in Sithembile, Dundee and Glencoe;
- Work in tandem with the SAP and ensure disconnections are carried out in Sithembile and Sibongile; and
- The information pertaining to the incidents of theft and tampering needs to be linked to the consumers account in order to identify and take action against repeated offenders.

Billing

- Implement payment reminders via SMS to consumers;
- It is important that relevant controls are put into place that to ensure complete and accurate billing; and
- Research customer account layouts with a view to simplifying them, if necessary. Redesign them, if necessary.

Training

- Councilors and officials should understand municipal finance and budgets so that they are able to engage and question spending and development priorities.

Contractors

- Better manage external contractors by implementing and enforcing new performance measures:
 - Ensure contractors deliver according to service level agreements; and
 - Contractors must report in a manner that gives EM full info on accounts handed for collection.
- Investigate reasons for mail being returned and ensure correct addresses are updated on the system;
- Undelivered accounts and summonses should automatically be directed to a tracing work step,
- Review the contract of KD against what is actually being delivered. If need be revise contract and measure performance of the contractors.

Meter Audit

- Conduct a comprehensive audit of all meters at regular intervals. Implement meter audit cycle periodically during the year.

Medium Term 6-18 months

Interventions that could be started without delay which only be completed within 18 months period are the following:

Tariffs

- Ring-fence each service to determine the true cost of service which would prove invaluable in determining the tariff for a service.

Staffing & Structure

- The vacant posts should be advertised and filled urgently so the smooth functioning of the municipality is not compromised;
- The hiring of the right skills and capacity is essential for managing credit control and debt collection;
- Review and discuss the recommended structure for the credit Control Function that will be tailored prior to implementation (Refer to Section 15).

Systems

- Integrate the pre-paid system within the municipal financial system Munsoft;
- Implement a GIS system with clear GIS objectives and training;
- Fully integrate the indigent support and management system into the municipal financial system Munsoft;

- To ensure control and safekeeping of consumer documents the use of a document management system should be considered;
- Consolidate two separate systems for prepaid and conventional metered consumers into one.

Arrangement to Pay

- Review the arrangement to pay procedures;
- The arrangement to pay (ATP) process need to be linked to consumer accounts on the municipal financial system Munsoft;
- Ensure the ATP procedures are not abused by consumers. Consumers should not use this as a means to avoid accumulation of interest.

Information Audit

- Develop a standard process to perform soft and hard tracing and verification of information. This could entail the use of external companies scanning ID numbers to get correct ID and addresses or verification of personal information by checking information with the Deeds office;
- Conduct a customer information audit to establish a sound basis for the billing of service charges:
 - Verify and rectify customer information for purposes of accurate billing; and
 - Collect additional information about consumer households that could improve customer service.
- Design appropriate data collection and maintenance procedures that meet basic legal and functional requirements. To achieve this, the customer information audit is divided into three distinct, complementary parts:
 - Collect basic customer information. This part also includes a service evaluation that could be used to assess consumer perceptions about the customer care function in the municipality. In addition, a service meter audit may be added to this part to check the accessibility and functionality of measuring various devices, such as electricity meters;
 - Develop an economic profile of each consumer household with the primary aim to derive an indigent indicator, hence the focus on questions around income and expenditure and asset ownership.
- Identify skills within households that could be useful during the implementation of municipal works (capital projects, etc.). The primary aim of this part is to establish a basis for poverty alleviation programs through job creation and local economic development initiatives.

Customer Care

- Implement a customer care policy with clear objectives regarding payment policies and dates which objectives are measurable in terms of customer service.

Financial Management

- Review financial management systems and procedures to incorporate the following:
 - Budgeting methods
 - Cash forecasts and cash flow monitoring against forecasts

- Credit policies with emphasis on minimum debtors
- Credit risk management
- Investment policies
- Management reporting
- Supply chain policies
- Stock levels for consumer stores
- Supplier payment periods
- Supplier selection and monitoring procedures
- Review the policy on the use of telephones;
- Monitor and control the use of electricity by residents living in hostels;
- Review all financial policies and procedures as per MFMA; and
- Develop business plans and determine operational costs of capital projects

Assets

- Determine the market value of houses;
- Dispose of rental housing stock;
- Develop an asset management policy; and
- Update the asset register.

Data Integrity

- Undertake the data cleansing process which is divided into three stages:
 - Desktop Data Cleansing - check all billing data held by the municipality for inaccuracies and anomalies;
 - Returned Mail Cleansing - all returned mail must be carefully analysed to determine why bills were not received by intended recipients;
 - ❖ All returned mail should be split into the following categories;
 - The customer is no longer residing at the given address;
 - The postal address is incorrect;
 - The physical address is wrong;
 - The account is flagged inactive, while, in fact, it is active and therefore not being billed; and
 - The account is wrongly flagged 'active'.
 - ❖ Once the reason for non-delivery has been established, contact should be made with the owner of the property. There are various ways in which this can be done:
 - Check the system for telephone numbers and make contact telephonically to clarify details, if possible;
 - If contact cannot be made telephonically, do a title deeds search to determine where the owner of the property is located;
 - Another method is to do a credit check on the customer through a credit bureau, which should reveal the customer's latest physical and/or postal address and, possibly, telephone number;

- All the correct details should be captured in the system once the customer has been located; and
 - Should this desk research prove fruitless, it will then be necessary to physically visit the property concerned to interview the current occupier in the hope that s/he could provide a forwarding address or advice on the current whereabouts of the missing customer.
- ❖ If an account is flagged 'active', it is important to check that no bills are sent out, as not only is this wrong, but it also distorts the outstanding debtor's figure. It is equally necessary to check that if it is flagged 'inactive' services are nevertheless being provided and not charged for. This should be rectified immediately; and
- ❖ Physical Field Audit Surveys - Where neither the billing system or desk research is able to resolve the situation regarding anomalous accounts, undertake fieldwork to determine what the situation is 'on the ground'.
- It is critical that the property base of the municipality is accurate ensuring:
 - accurate property information;
 - accurate customer information: all customers sign contracts with the municipality for services to be delivered to the property on which they are registering the services for connection;
 - accurate tariffs associated to the properties, which can be done through various variables, including land usage, debtor type, land zonage, and service type;
 - accurate ward information per property; and
 - flexibility to meet the municipality's reporting needs

1 Introduction

Endumeni Municipality (EM), classified as a Category B municipality, was established on 5 December 2000 in terms of the Municipal Structures Act, 1998. EM covers an extensive municipal area and is one of four local municipalities located within Umzinyathi District Municipality (UDM). EM is located in the northern section of UDM and shares a border with The Amajuba Municipality and the Uthukela District Municipality. EM constitutes about 11% of the UDM and has the smallest population in the district yet has the largest economy of the four local municipalities. EM is approximately 1615 m² in extent and has a population of about 77,717 people (Global Insight Africa, 2008)

EM has commenced the implementation of a turnaround strategy to enhance the viability of the municipality as well grow its core and additional sources of revenue. Part of this process entails the identification of options which could result in cost reductions and additional revenue.

2 Scope and Objective

EM appointed Innovative Government Solutions (IGS) to identify revenue enhancement opportunities and decide on the optimal solutions for EM and develop a comprehensive revenue enhancement strategy that will improve core revenue processes, identify areas for cost reduction and additional revenue streams.

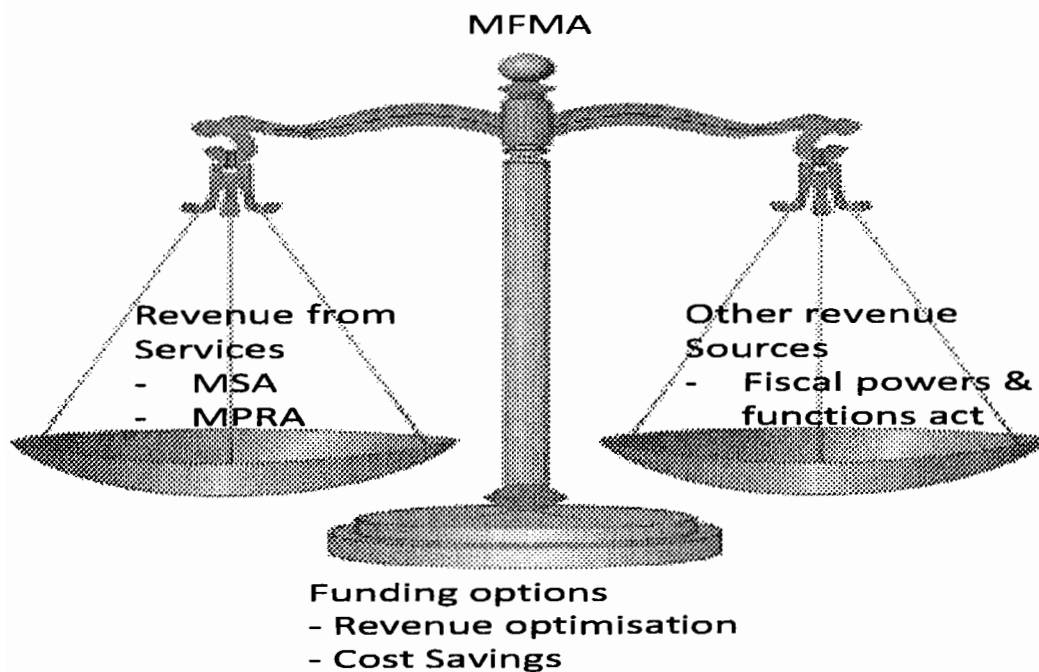
The project focuses on the following areas which have been categorized into three phases with the focus of this report being phase 1:

-
- | | |
|----------------------------------|--|
| Phase 1: As Is Assessment | <ul style="list-style-type: none">○ Our approach we have adopted provides a comprehensive as-is assessment of the revenue value chain focusing on revenue budgets and tariffs, customer database, customer management, meter reading and billing, revenue collection and debt management as well as loss management;○ An as-is assessment report has been prepared for discussion with all relevant stakeholders; and○ Once agreement has been reached as to the status quo, the issues agreed on will be included into a status quo report. |
| Phase 2: Development of Strategy | <ul style="list-style-type: none">○ We will develop a strategy by gaining an understanding of the makeup of the customer database by debtor's type. The identification of customer grouping will make it more practical to start involving the community and other users into the implementation of the strategy;○ The strategy will focus on the legislative mandate of the |
-

	<p>municipalities to generate revenue and will address all circumstances of revenue leakages as well as increasing revenue through new sources; and</p> <ul style="list-style-type: none"> ○ A strategy implementation and action plan will be developed once the strategy has been discussed and agreed with all relevant stakeholders.
<p>Phase 3: Strategy Implementation</p>	<ul style="list-style-type: none"> ○ A multidisciplinary team will be put together that will be responsible to assist the municipality with the implementation of the strategy; and ○ The team leaders will manage the process and work closely with identified officials from the municipality to ensure transfer of skills.

3 Governance and Legislation

It is of utmost importance that the improvement opportunities identified are aligned to the current legislative framework. The strategies supporting these opportunities should provide a balance between the different sources of revenue and the related costs to achieve such revenue targets. The balancing effect is depicted in the diagram below and relates to the following components:



- The constitution – Section (151)3 Status of Municipalities – A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution. Section 151(4) national or provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.
- Revenue from core municipal services – The Municipal Systems Act 32 of 2000 (MSA) provides the legal mandate for a municipality to impose and recover rates, taxes, levies, duties, service fees and surcharge fees. The Municipal Property Rates Act, 2004 (MPRA) seeks to reform the current system of levying property rates by municipalities and such introduces fundamental changes to the current system of property rating provided for in various Local Government Ordinances.
- Other revenue sources – The Municipal Fiscal powers and Functions Act 12 of 2007 (MFPFA), enacted on 7 September 2007, proposes amongst others, the following:
 - Regulation of municipalities exercising their power to impose municipal surcharges on fees for services;
 - Authorise municipal taxes that municipalities may impose under section 229(1)(b) of the Constitution;
 - Regulate municipalities exercising their power to impose municipal taxes, if authorized.
- Funding options – Current initiatives within EM which should mainly be focused at recovery and optimization of related costs of service delivery.

The principle of the Municipal Finance and Management Act (MFMA) need to be incorporated into the strategy to ensure sound and sustainable revenue management.

4 Current Status of the Municipality

4.1 Location, Demographics and Wards

EM is one of the four local municipalities located within the Umzinyathi District Municipality. EM is demarcated into 6 wards with active ward committees. EM comprises the towns of Dundee, Glencoe and Wasbank. The townships of Sibongile, Extension 18, Craigside, Peacevale and Forestdale are located within Dundee. The township of Sithembile is situated in Glencoe. Approximately 90% of the population of the municipal area resides within Dundee, Glencoe and Wasbank. The majority of the balance of the population resides either in commercial farms or small rural settlements.

4.2 Economically Active Population

The majority of the economically active population in EM is employed in nine sectors. These include the Government Sector as the leading employer followed by the Community and Personal Services, Finance and Business Services, Agriculture, Manufacturing, Construction, Transport and Communication, Mining and the least employment Food and Beverage Sector.

4.3 Organisational Structure

The organizational structure of the EM comprises of a total compliment of 323 permanent employees as per approved Council organograms. The Council comprises 12 Councilors currently represented as follows:

- ANC - 4
- DA- 3
- IFP – 5

The structure of the various service lines and departments are shown below.

Corporate Services

- Administration
- Safety and Security
- Health and Legal
- Estate

Finance

- Income
- Expenditure

Technical Services

- Sanitation
- Civil Engineering
- Electrical and Mechanical

Municipal Manager

- Internal Audit
- Strategic Planning
- LED

4.4 Staffing

The composition of staff is shown in the table below.

	Corporate Services			Technical Services				Finance
	Admin	Safety	Health	Roads	Elect	Mech	Sanitation	Income & Expenditure
Total Perm Posts	60	27	20	40	27	10	90	42
Vacant posts	7	4	9	24	10	3	33	5

Table 1

Findings

- There are 90 vacant posts as reflected in the table above; and
- A large number of vacancies exist within Technical services. The vacancies have a direct impact on the level and quality of service provided by the municipality

Recommendations

- The vacant posts should be advertised and filled urgently so the smooth functioning of the municipality is not compromised.

4.5 System

Section 64 of the Municipal Finance Management Act (MFMA) deals specifically with the management of revenue. The most relevant issues are to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Systems Act:

- Revenue is calculated monthly
- Accounts are prepared

The municipality maintains finance and IT systems which:

- Recognises revenue when it is earned
- Accounts for debtors
- Accounts for receipt of payments

The requirements of a system that can deal with the abovementioned complexities and regulations of the recommended policy and by-law can be summarized as follows:

- Be specifically designed for municipalities and include all the required processes;
- Have pre-determined workflow processes;
- Have a built in document management system;
- Interface with the municipal financial system;
- Retrieve the arrears list from the financial system;
- Contain a filter program to target specific areas or outstanding accounts;
- Enable users to make telephone reminders;
- Provide final demands;
- Produce disconnection and reconnection orders;
- Issue summonses;
- Allow arrangements and keep track of arrangements made;
- Issue judgments;
- Contain a process for indigent support and management;
- Handle account queries;
- Perform soft and hard tracing;
- Produce management reports and statistics; and
- Have password control, allowing different levels of access to information to different users.

Findings

- There are 2 separate systems handling the billing. The conventional metering is managed on Munsoft and the pre-paid metering is managed on a separate system;
- The implementation of a geographic information system is being considered but has not been implemented;
- The handover process to attorneys is not linked to the financial and billing system.

Recommendations

- Integrate of the pre-paid system within the municipal financial system Munsoft;
- Implement a GIS system with clear GIS objectives and training;
- Fully integrate the indigent support and management system into the municipal financial system Munsoft;
- To ensure control and safekeeping of consumer documents the use of a document management system should be considered;
- Implement payment reminders via SMS to consumers;
- The arrangement to pay (ATP) process need to be linked to consumer accounts on the municipal financial system Munsoft;
- Develop a standard process to perform soft and hard tracing and verification of information. This could entail the use of external companies scanning ID numbers to get correct ID and addresses or verification of personal information by checking information with the Deeds office;
- The handover of consumer accounts to attorneys should be incorporated into Munsoft; and
- Compare the pre-paid system to Munsoft and block those in arrears.

4.6 Financial Management

Effective financial management can help EM to transform its local areas into a better place to live and work. Effective financial management ensures that there are funds available to implement council policies. This is a great responsibility on municipalities as they are responsible for managing large amounts of money and delivering services that affect people's lives every day. Councilors, committee members and officials all have a duty to ensure that these monies are managed carefully, transparently and honestly. Good financial management is the key to local delivery.

Findings

a) Operating Income

There are various sources of income that can be used by municipalities to finance their expenditure. The main sources of revenue for EM are from the following sources:

- **Property Rates** - All people and businesses who own fixed property (land, houses, factories, and office blocks) in the municipal area are charged "Property Rates" - a yearly tax based on the value of each property. Rates income is used by the municipality to pay for the general services to all people, which cannot easily be charged to a specific service user as a "service charge" for example roads, pavements, parks, streetlights, storm water management, etc.

- **Service Charges / Tariffs** - For specific services that can be directly charged to a house or factory, the principle of "user pays" are adopted. That is, to charge a price or "tariff" for services such as refuse, electricity or approval of building plans; where the exact usage of the service can be measured, to the person or business that actually used that service.
- **Equitable share** - The equitable share is an amount of money that a municipality gets from national government each year. The local government equitable share is meant to ensure that municipalities can provide basic service and develop their areas. The amount a municipality gets depends mainly on the number of low-income people in the area – rural municipalities usually get more. Most municipalities only get a small part of their operating budget from the equitable share. EM is reliant on income from the sale of electricity, refuse, rates and grants (**Refer to Annexure B**).

The percentage contribution of revenue is from the following categories:

Sale of electricity	– 36%
Rates	– 23%
Refuse	– 7%
Grants and subsidies	– 20%

b) Operating Expenditure

The major expense items impacting EM are:

Salaries, wages & allowances	– 39%
Electricity bulk purchase	– 24%
General expenses	– 16%

c) Creditors

The MFMA requires accounting officers to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. It is common practice by municipalities for not making timely settlement of creditors as required by the legal framework.

Findings

An amount of R19, 257,274 is owing to creditors and is made up as follows:

Trade creditors	4,281,375
Deposits	66,557
Staff leave	2,498,720
Retention	965,651
Other	11,444,971
Total	19,257,274

In terms of National Treasury MFMA circular no. 49 if a municipality fails to make payments when due and such failures amount in total to 2% of the municipality's operating budget for that year may indicate that the municipality is in serious breach of its obligations, which is a factor in considering whether a mandatory intervention is necessary.

d) Asset Management

It is important to maintain a regular inventory of property, plant and equipment, implementation of a maintenance programme review and insurance cover. This part of the plan will be extended to assist in identifying and listing unutilised/ uneconomic assets with a view to disposal as previously indicated. Although directly related to revenue raising it is appropriate to include the monitoring of rental income and policies with the asset management programme. This aspect of asset management will ensure that Council is receiving economic rentals from Council owned land and buildings which are rented out.

Recommendation

- Implement a payment with clear objectives regarding payment policies and dates which objectives are measurable in terms of customer service;
- Councilors and officials should understand municipal finance and budgets so that they are able to engage and question spending and development priorities;
- Review financial management systems and procedures to incorporate the following:
 - Budgeting methods
 - Cash forecasts and cash flow monitoring against forecasts
 - Credit policies with emphasis on minimum debtors
 - Credit risk management
 - Investment policies
 - Management reporting
 - Supply chain policies
 - Stock levels for consumer stores
 - Supplier payment periods
 - Supplier selection and monitoring procedures
- Determine the market value of houses;
- Dispose of rental housing stock;
- Develop an asset management policy;
- Update the asset register;
- Review the policy on the use of telephones;
- Monitor and control the use of electricity by residents living in hostels;
- Review all financial policies and procedures as per MFMA and document flow; and
- Develop business plans and determine operational costs of capital projects.

5 Debtor Analysis

The aim is to provide a snapshot of a municipality's debtor situation. The debtor analysis provides a comprehensive overview of a municipality's customer data and financial performance. This overview not only provides a unique perspective on consumer information, debt and services but also has the ability to reveal underlying systemic causes for the growing debt and provide an understanding of a municipality's situation and provides pointers for strategic interventions.

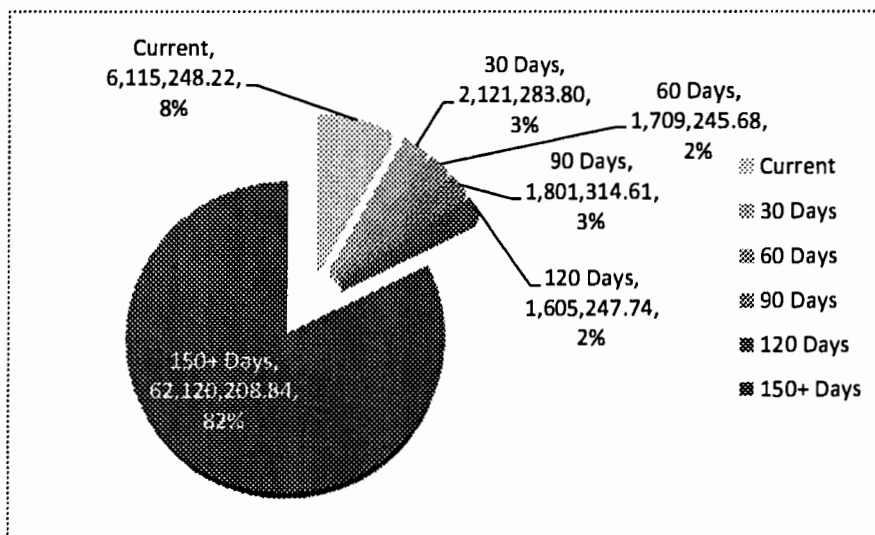
5.1 Total Debt

This reflects the full ageing of the debt owed to the Municipality as received in the data extract. Analysis is done to determine possible redundant debt with a view to writing off this debt.

Findings

Total debt provides EM with an overall indication of the size of the debt and how the debt is aged. The ageing of debt is critical particularly as the debt gets older. Graph 1 below shows 82% of the debt is over 150+ days. Only 10% of the debt is between 30 days and 120 days. As with most municipalities EM is only able to show their older debt as 150+ days. The total debt outstanding at 30 June 2010 is R75, 472,550.

Graph 1 below shows the size of debt and how the debt is aged. The ageing of debt only extends up to 150 days. As much as 82% of the debt is in the oldest age grouping, which has a major impact on debt collection initiatives. Debt over 3 years 1095 days will prescribe (potentially legally non-recoverable) and is most probably not collectable. A detailed ageing beyond the 150 days is required depending on the capability of the current financial management system.



Graph 1 – Debtors age analysis

An Analysis of the debt over 150 days (5 months) reflects that 40% of debtors (5233 debtors of a total of 13072 debtors) owe R62 m (99%) of the total debt over 150 days.

Total	Current	30	60	90	120	150+
100%	8,1%	2,8%	2,26%	2,39%	2,1%	82,3%
75,472,550	6,115,248	2,121,284	1,709,246	1,801,315	1,605,248	62,120,209

Table 2

5.2 Monthly Rolling Debt

Table 3 below shows the monthly billings and receipts for the 12 months ending 30 June 2010. It gives an indication of how much debt is rolled over monthly and how much debt is accumulated over a 12 month period.

	July 09	Aug 09	Sept 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
Payments	3,2m	6,1m	6,6m	7,2m	6,1m	6,4m	6,2m	6,1m	6,6m	5,7m	6,4m	8,9m
Billings	7,4m	7,6m	7,6m	7,3m	7,2m	7,5m	7,2m	7,3m	7,4m	7,1m	7,6m	7,0m
		82%	87%	95%	84%	89%	83%	85%	90%	77%	90%	117%

Table 3

The total accumulated debt for the year is R12, 7m with an average collection rate of 86%.

5.3 Debtor Turnover

Debtor's turnover, which is calculated by expressing total outstanding debtors (before write-offs and provision for bad debts) as a percentage of possible accruable income consists of rates, electricity and refuse service charges. This ratio can also be expressed as the number of days required to collect debt by multiplying the result with 365 days. The formula is:

$$\text{Debtor Days: } (\text{Outstanding debt} / \text{accruable income}) \times 365.$$

The results obtained can be measured against a norm of between 42 – 56 days.

Findings

	2009	2010
Outstanding debt	77,022,617	84,435,909
Accruable Income	84,642,851	102,967,771
Debtors days	332	299

Table 4 – EM Debtor days

EM has a debt turnover of approximately 10 months. Compared to the norm this poses a problem for EM. Due to a significant part of the debt being over 180 days contributes to the high debtor days. Due to the existence of long outstanding debt inherited through amalgamation and demarcation, this norm might not be appropriate for assessing the current debt collection rate. We therefore can look at debtor's movement.

Debtors' movement is calculated by expressing the growth in debtors during the last financial year as a percentage of potential accruable income from rates and service charges. The growth in debtors is measured by subtracting the gross debtor's balance at the beginning of the financial year (before write-offs and provision for bad debts) from the gross debtor's balance at the end of the financial year. Accruable income is calculated by adding the potential income for rates and service charges together.

The result should be measured against a norm of 7.5% if the result exceeds 7.5% the municipality is not doing well and should consider remedial actions.

	2009	2010
Growth in debtors	3,694,232.00	7,413,292.00
Accruable Income	84,642,851.00	102,967,771.00
%age Debt/Income	4%	7%

Table 5 – EM Debtor Movement

The result shows that if the older debt is excluded the municipality is within the norms for the collection of current debt. The concern is that the percentage has increased from 4% to 7% within a year.

5.4 Total Debtors by Service Type

The total debt by service in the table below provides an overview of the composition of the debt in relation to its services. This enables us to identify services that are most susceptible to the accumulation of debt.

Service Type	Outstanding Debt	Percentage
Electricity	1,543,048	2%
Rates	35,911,886	48%
Refuse	9,150,382	12%
Housing	233,163	0%
Interest	6,985,371	9%
Penalties	15,612,620	21%
Collection Fees	2,282,010	3%
VAT	1,941,126	3%
Other	1,812,942	2%
	75,472,548	100%

Table 6

The breakdown of debt by service is crucial, since the service type can greatly affect the subsequent non collection of debt. The table 6 shows that electricity makes up only 2% of debt and this can be attributed to the fact that electricity can be disconnected to encourage payments and a pre- paid metering system as in the case of EM makes management of debt somewhat more manageable. Assessment rates makes up 48% of the total debt. Although assessment rates are linked to a property that can be sold to recover debt it is clearly not the case in EM.

5.5 Total Debtors by Debtor or Zone Type

The total debt by debtor type allows us to determine which type of debtor has the highest debt. The debt is split into various debtor type categories, as per the data received – i.e. Residential, Business etc.

There are 5 major categories of debt as shown in the table below.

Debtor Type	Outstanding Debt	Percentage
Household	57,378,391	76,00%
Government	11,582,871	15,35%
Business	4,200,303	5,56%
Other	1,214,666	1,64%
Industrial	1,096,318	1,45%
	75,472,549	100%

Table 7

The highest portion of total debt is owed by households (76%) followed by government debt (15, 35%) and then businesses (5, 56%).

5.6 Total Debtors by Ward/Area

The breakdown of debt by ward is important as it shows the areas in which debt collection is not working. It assists in identifying and involving councilors in these areas to assist with the debt collection process.

Area	Outstanding Debt	Percentage
Sithembile	30,610,353	40.56%
Dundee	16,244,240	21.52%
Glencoe	14,146,187	18.74%
Sibongile	11,443,817	15.16%
Farms	1,312,020	1.74%
Wasbank	1,297,300	1.72%
Housing	242,669	0.32%
Sectional title	100,131	0.13%
Public	75,832	0.10%
	75,472,549	100.00%

Table 8

The areas with the highest debt are Sithembile (40, 56%), Dundee (21, 52%), Glencoe (18, 74%) and Sibongile (15, 16%).

Recommendation

- Expand the debtors age analysis to include debtors beyond the standard ageing category of 150+ days
- Ensure the ATP procedures are not abused by consumers. Consumers should not use this as a means to avoid accumulation of interest
- There should be a political will to enforce the credit control and debt collection procedures
- The hiring of the right skills and capacity is essential for managing credit control and debt collection
- Undertake a data cleansing exercise
- Better manage external contractors by implementing and enforcing new performance measures:
 - Ensure contractors deliver according to service level agreements
 - Contractors must report in a manner that gives EM full info on accounts handed for collection
- Develop an approach to deal with government debt (this could include a petition to National Treasury)
- Take decisive action when dealing with debtors in Sithembile, Dundee and Glencoe.

6 Revenue Management Policies

a) Tariff Policy

In terms of Section 62 (1) (f), of the Municipal Finance Management Act (MFMA) the municipality must take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act (MSA)”.

In accordance with the MSA a Municipal council must implement and adopt a tariff policy. The policy must reflect the following principles:

- Users of municipal services should be treated equitably;
- Amount individual users pay for services should be in proportion to usage;
- Poor households must have access to basic services, through:
 - Tariffs that covers only operating and maintenance cost
 - Special tariffs or life line tariffs
 - Any other direct or indirect subsidisation
- Must reflect the costs associated with the service;
- Must be set at levels that facilitate financial sustainability of the service;
- Provision must be made for surcharge on tariffs;
- Provision may be made promotion of local economic development;

- Efficient and effective use of resources must be encouraged; and
- Extent of subsidisation of tariffs must be disclosed.

Findings

The tariff policy consists of 6 sections which deal with the following aspects:

- Purpose
- Service Classifications
- Pricing Strategy
- Type of Tariffs
- Legal Requirement

Recommendations

In general it can be concluded that the tariff policy deals with most of the relevant aspects. It, however, can be improved by including the following matters:

- Insert a section on definitions explaining key words and expressions in the document;
- Elaborate on how EM intends catering for the poor households and the provision of free and basic services; and
- Expand on the pricing strategy and explain the calculation of tariffs outlining the basic tariff structure and method of calculation.

b) Credit Control and Debt Collection Policy

Sect 96 (b) of the Municipal Systems Act (MSA) states that a municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act. Sect 98 (1) of the MSA states that a municipal council must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement. In terms of Section 97 (1) of the Systems Act a credit control and debt collection policy must provide for:

- credit control procedures and mechanisms;
- debt collection procedures and mechanisms;
- provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;
- realistic targets consistent with
 - General recognised accounting practices and collection ratios and
 - The estimates of income set in the budget less an acceptable provision for bad debts
- interest on arrears, where appropriate;
- extension of time for payment of accounts;
- termination of services or the restriction of the provision of services when
 - payments are in arrears;
 - matters relating to unauthorised consumption of services, theft and damages and;
 - any other matters that may be prescribed by regulation in terms of section 104.

Findings

EM has a credit control and debt collection by-law but no policy. The by-law consists of the following sections:

- Chapter 1 - Definitions
- Chapter 2 - Provision of municipal services to customers other than indigent customers
- Chapter 3 - Assessment rates
- Chapter 4 - Provision of municipal services to indigent consumers.
- Chapter 5 – Businesses who tender to the municipality.
- Chapter 6 – Unauthorised services
- Chapter 7 –Offences
- Chapter 8 – Documentation
- Chapter 9 - General provisions

Recommendations

A credit control policy needs to be developed for EM and the existing credit control by-laws revised and adjusted to give effect to this policy.

c) Indigent Policy

The national indigent framework states that “An indigent policy will only be fully functional once subsidies are targeted in such a way that the indigent benefit and those who are not indigent pay.” A municipality needs to develop and adopt an indigent policy to ensure that the indigent can have access to the package of services included in the Free Basic Services (FBS) programme.

The municipal indigent policy is not a standalone policy which is independent from municipalities IDP's, its debt and credit control procedures, its municipal by laws etc. Due to the varying circumstance and conditions within municipalities it is recognised that municipalities should exercise their right to apply the national indigent framework and these guidelines according to their own circumstances.

The indigent policy should define:

- A municipality's approach to dealing with poverty;
- A municipality's approach to assessing the indigent;
- Who will benefit from FBS;
- Which services will be delivered;
- How much of a particular service will be provided to beneficiaries;
- What level of service will be offered to indigents;
- What process will be used for managing the indigent;
- An indigent policy should detail (emphasise) the linkages between the various poverty alleviation programmes that will result in the indigent moving away from the poverty trap;
- Resources allocated by a municipality to enable their indigent policy;

- Process for tracking and assessing the service received by the indigent, as well as the real benefit that has resulted from the subsidies;
- Projected implementation targets (milestones) for the rollout of FBS to the entire indigent population within the municipal area; and
- Allow a municipality to map out their own progress against the national implementation target dates.

Findings

- The municipality has a separate indigent support policy which deals with the following aspects:
 - Objectives
 - General conditions
 - Financial restraints
 - Indigent arrears
 - Service levels
 - Control measures
- According to EM's indigent policy indigent applications are to be made during March and September each year and should cease after six months. All applicants are to reapply bi-annually. Currently this is not the practice and indigent applications continue to exist indefinitely without any reapplication process;
- Only households with a total household income of less than R800 per month may apply for support. Considering the fact that the monthly old age grant pension is R1010 per month the threshold of R800 is very low; and
- One of the most difficult parts of administering the indigent policy depends on applications from potential beneficiaries and verifying application details.

Recommendations

In general it can be concluded that the indigent policy deals with most of the relevant aspects. It, however, can be improved by including the following matters:

- It is important that the households of indigent consumers are visited on a regular basis. One cannot carry on subsidising a consumer if the situation has changed and the household does not qualify anymore. If resources to perform these audits are limited a staggered approach must be adapted. This implies that applications for indigents must be allowed all year round and a well-controlled auditing system must be in place to audit a certain number of households per month;
- Integrate policy with strategic management plans and procedures so as to ensure that the municipality will be able to sustain its FBS programme;
- EM should consider visits to dwellings and utilise ward committees as a means of verification of indigent applications; and
- Amend policy to reflect the recommended changes by Council.

d) Rates Policy

In terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) the owner of a property is liable for rates, but it may also be recovered from tenants or occupiers and agents, subject to the

provisions of Chapter 9 of the Municipal Systems Act. The Act requires EM to develop and adopt a Rates Policy which should also refer to credit control and debt collection and must be prepared in accordance with the following principles:

- Treat persons equitably
- Determine criteria-
 - Different rates
 - Exemptions
 - Grants, rebates or reductions to specific categories of owners or category of properties
 - Increases in rates
 - Categories of properties or owners of properties
 - Any exemptions, rebates or reductions must comply and be implemented in accordance with national framework
 - No relief may be granted other than by way of an exemption, a rebate or a reduction

Findings

- EM has an approved rates policy.
- The policy comprehensively covers all the basic principles in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004)

Recommendations

None

7 Tariffs

Tariffs represent the charges levied by Council on consumers for the utilisation of services provided by the Municipality and rates on properties. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilised to subsidise other non-economical services.

Findings

The services provided by EM are classified into four categories:

Trading Services – tariffs charged to yield a surplus such as:

- Electricity
- Waste Management

Economic Services - tariffs set at a level to ensure that expenditure is recovered and the service break even. Tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit.

- Commercial and Industrial Refuse
- Road Transport

Subsidized Services – services are funded from revenue obtained from rates. User charge is payable for using the service, but the tariff is much lower than the real cost of providing the service

- Community Services
- Fire
- Building Plans
- Housing
- Municipal facilities
- Town Planning
- Cemeteries
- Health

Recommendations

We would recommend a financial ring-fencing of each service to determine the true cost of service which would prove invaluable in determining the tariff for a service.

8 Free Basic Services to Indigents

In its quest to fulfill its constitutional mandate, Local Government finds itself in a position to deliver other related services and deal with the issue of indigents and how they have to be accommodated within the spirit of co-operative governance.

In accordance with Chapter 9, Section 97(1) (c) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000), provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents must be included in the Credit Control Policy. Cabinet approved the National Policy for the Provision of Basic Refuse Removal Services for indigent households. This is in line with the adoption of the Free Basic Services Policy

Free Basic Services are municipal services provided at no charge by the Government to the registered indigents within municipal boundaries. The services include water, electricity, sanitation and waste removal. These services are provided by municipalities and include a minimum amount of electricity, water and sanitation that is sufficient to cater for the basic needs of a poor household. Subject to the extent of the equitable share contribution received and affordability levels council may provide, free of charge to consumers, certain basic levels of services. These include the offering of the following services:

- Free Basic Electricity (energy) – 50kWh per month per household for a grid energy system
- Free Basic Waste Removal – 100% of rate/charge

Findings

- The monthly indigent support provided for electricity is 50kw/h;
- Due to the Council's Water and Sanitation Services being transferred to the Umzinyathl Regional Council, the provision of 6kl per month per household is not applicable;
- Currently households earning less than R1150 per month qualify for an indigent subsidy;

- The indigent benefit is as follows:
 - If they earn between R0 and R500 they receive R48 towards their rates and 50 unit's electricity free.
 - If they earn between R500 and R1150 they receive R13 towards their rates and 50 unit's electricity free.
- There is currently a once off application for indigents;
- The councilors verify the information is correct and sign off; and
- The indigent is then added onto the system.

Recommendations

- Update the indigent management policy and procedures;
- Register, verify, screen, and approve indigents;
- Establish and maintain an indigent register;
- Communicate the indigent management processes and procedures to all stakeholders;
- Indigent consumers must be isolated from the normal credit control and debt collection processes;
- A process should be introduced where the monthly accounts can be compared to the subsidies granted;
- Invite indigents to reapply annually for the indigent subsidy;
- Place adverts and public notices in the local newspapers and in public areas;
- Assess and verify indigent information through the use of councilors and officials;
- The qualifying threshold of R1150 needs to be assessed and revised;
- The use of qualified personnel the like of a social worker is needed to investigate those cases that are in dire need of assistance e.g. homes run by orphans, the very old and frail etc.

9 Customer Care Management

In terms of the Municipal Systems Act: In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity:

- establish a sound customer management system that aims to create positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider;
- establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider regarding the quality of the services and the performance of the service provider;
- take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised;

- where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;
- ensure that persons liable for payments, receive regular and accurate accounts that indicate the basis for calculating the amounts due;
- provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- provide mechanisms to monitor the response time and efficiency ; and
- provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

Findings

- The absence of a customer care policy creates confusion and ambiguity in terms of Council's obligation to the customer;
- Dissemination of information is not communicated to consumers by means of a customer care charter;
- There isn't a standard procedure for handling customer queries; and
- Customer relationship management capability does not exist that monitors satisfaction levels.

Recommendation

- Develop and implement a customer care policy and customer care charter;
- Develop and implement a standard procedure for logging complaints, referring the matter to the correct departments and receiving feedback on the status of the complaint;
- Invite customers to give feedback on municipality's performance in relation to service delivery and customer satisfaction. This could be done with questionnaires or electronic tools;
- Provide accessible mechanisms for dealing with complaints. As previously mentioned, a dedicated customer care unit is required. All complaints must be recorded in a register and followed up to ensure prompt responses by the officials;
- Customers must be allowed to pay an amount equal to the average consumption of the previous three months until the query has been resolved. Disconnection or legal action must be suspended until the query has been resolved; and
- Enquiries received should be acknowledged in writing by the relevant department. After the query has been attended to, the consumer should again be informed in writing about the outcome and ensuing status of the account. The complaints register should be reviewed by members of senior management. Numerous complaints of a similar nature should be investigated internally.

10 Customer Information/Data Cleansing

Customer information is dynamic. Changes to the data must be identified and captured in time in order to maintain the integrity of the billing system. Incorrect data results in undelivered municipal accounts or incorrectly addressed and, therefore, rejected municipal accounts. This results in unpaid accounts, triggered either by the consumer not receiving the account or the consumer becoming unwilling to pay due to incorrect information reflected on the account.

Data cleansing is an important link in ensuring that the information on which the municipal billing system is based is accurate and up to date. Accurate and diligent billing is not only basic to sound accounting practice but is also absolutely essential to the financial well-being, and therefore viability, of all municipalities, since it achieves two critical objectives: the maximisation of revenue potential and the prevention of losses resulting from incorrect or inadequate information.

Findings

Information was not accessible from the financial system in the following categories:

- Number of accounts without names.
- Number of accounts without postal addresses
- Number of accounts without physical addresses
- Number of irregular payers
- Number of indigent consumers and level of their indebtedness.
- Number of owners.
- Number of non-owners
- Number of stands without all services charges attached to it.

Recommendations

- Conduct a customer information audit to establish a sound basis for the billing of service charges:
 - Verify and rectify customer information for purposes of accurate billing; and
 - Collect additional information about consumer households that could improve customer service,
- Design appropriate data collection and maintenance procedures that meet basic legal and functional requirements. To achieve this, the customer information audit is divided into three distinct, complementary parts:
 - Collect basic customer information. This part also includes a service evaluation that could be used to assess consumer perceptions about the customer care function in the municipality. In addition, a service meter audit may be added to this part to check the accessibility and functionality of measuring various devices, such as electricity meters.
 - Develop an economic profile of each consumer household with the primary aim to derive an indigent indicator, hence the focus on questions around income and expenditure and asset ownership.

- Identify skills within households that could be useful during the implementation of municipal works (capital projects, etc.). The primary aim of this part is to establish a basis for poverty alleviation programs through job creation and local economic development initiatives.
- Undertake the data cleansing process which is divided into three stages:
 - Desktop Data Cleansing - check all billing data held by the municipality for inaccuracies and anomalies;
 - Returned Mail Cleansing - all returned mail must be carefully analysed to determine why bills were not received by intended recipients:
 - ❖ All returned mail should be split into the following categories;
 - The customer is no longer residing at the given address;
 - The postal address is incorrect;
 - The physical address is wrong;
 - The account is flagged inactive, while, in fact, it is active and therefore not being billed; and
 - The account is wrongly flagged 'active'.
 - ❖ Once the reason for non-delivery has been established, contact should be made with the owner of the property. There are various ways in which this can be done:
 - Check the system for telephone numbers and make contact telephonically to clarify details, if possible;
 - If contact cannot be made telephonically, do a title deeds search to determine where the owner of the property is located;
 - Another method is to do a credit check on the customer through a credit bureau, which should reveal the customer's latest physical and/or postal address and, possibly, telephone number;
 - All the correct details should be captured in the system once the customer has been located; and
 - Should this desk research prove fruitless, it will then be necessary to physically visit the property concerned to interview the current occupier in the hope that s/he could provide a forwarding address or advice on the current whereabouts of the missing customer. (See below for further details on field work methodology).
 - ❖ If an account is wrongfully flagged 'active', it is important to check that no bills are sent out, as not only is this wrong, but it also distorts the outstanding debtor's figure. It is equally necessary to check that if it is wrongfully flagged 'inactive' services are nevertheless being provided and not charged for. This should be rectified immediately.

- ❖ Physical Field Audit Surveys - Where neither the billing system or desk research is able to resolve the situation regarding anomalous accounts, undertake fieldwork to determine what the situation is 'on the ground'.

11 Metering and Billing

Accurate billing for services is a critical element of the municipal revenue management business model. Due to poor billing and revenue collection municipalities are becoming increasingly dependent on intergovernmental funding to balance their budget. This component specifically focuses on billing Integrity as the basis of municipal revenue. The phrase "garbage in, garbage out" does apply in this instance.

Findings

- There are approximately 8000 pre-paid electricity meters;
- The billing software is Munsoft with staff having adequate knowledge in using the system. There is adequate support available for the system when required;
- There are two separate systems for prepaid and conventional metered consumers;
- There are 2 vending machines (1 each in Dundee and Glencoe) for pre-paid electricity;
- There are 3 third party vendors of pre-paid electricity;
- There are 2 cashiers in Glencoe, 3 cashiers and a temp in Dundee and 1 cashier working half day in Wasbank;
- The following payment methods are available to customers:
 - Easy pay ○ ACB Banking
 - Direct deposits ○ Cash
 - Debit orders ○ Third party vendors
 - Pay AT ○ Vending machines
- The reading of meters begin around the 20th of the month;
- Micro Mega are employed to do the meter reading of conventional meters with the use of hand held cell phones;
- The bulk meters are read by electricity staff; and
- Returned mail are opened and filed.

Recommendations

- It is important that relevant controls are put into place that to ensure complete and accurate billing;
- Consolidate the two separate systems for prepaid and conventional metered consumers into one;
- It is critical that the property base of the municipality is accurate ensuring:
 - accurate property information;

- accurate customer information: all customers sign contracts with the municipality for services to be delivered to the property on which they are registering the services for connection;
- accurate tariffs associated to the properties, which can be done through various variables, including land usage, debtor type, land zonage, and service type;
- accurate ward information per property; and
- flexibility to meet the municipality's reporting needs
- Research customer account layouts with a view to simplifying them, if necessary. Redesign them, if necessary;
- Launch a drive to inform the community on the billing system using an illustrated information pamphlet written in English and appropriate vernacular language(s). Advice should also be included on recommended conservation measures to help individual households reduce consumption and cost of services;
- Provide training to ward committee members on all aspects of the billing system, including the compilation and layout of accounts. Supply committee members with sufficient copies of the pamphlets so that they are available for further distribution if and when necessary;
- Publish the information pamphlet in community newspapers, if available;
- Combine the above awareness campaign with the promotion of the indigent;
- Investigate reasons for mail being returned and ensure correct addresses are updated on the system; and
- Undelivered accounts and summonses should automatically be directed to a tracing process.

12 Revenue Collection and Credit Management

In accordance with the Systems Act the Municipality must:

- Collect all money that is due and payable to it;
- Adopt, maintain and implement a credit control and debt collection policy;
- In terms of the MFMA The Accounting Officer is responsible for the management of revenue and must ensure that:-
 - The Municipality has effective revenue collection systems
 - Revenue is calculated monthly
 - Accounts are prepared monthly
 - Money received is promptly deposited
 - Internal control for debtors and revenue is in place
 - Interest is charged on arrears
 - Revenue is reconciled weekly
- The Accounting Officer must inform National Treasury of late payments due to the municipality.

Findings

- There is excessive tampering and non-payment for services in Sithembile and Sibongile;

- Staff and consultants are afraid to go into these areas. No action is taken and none of these accounts are being handed over to attorneys;
- Consumer deposits have remained unchanged for a long time. The low deposits give the council very little recourse against the consumers for non-payment;
- The customer found guilty of tampering is charged a tampering fee and given the liberty to negotiate payment on arrears;
- Non-payment of government accounts is a significant problem; and
- ATP's (Arrangement to pay) for consumers with conventional meters are recorded and stored manually. This makes monitoring of the ATP and following up on defaulters difficult.

Recommendations

- Enforce stringent penalties and full payment of arrears if meter is found tampered with;
- Consider the revision of deposits charged on new and existing accounts;
- In terms of the Municipal Finance Management Act, an accounting officer "must immediately inform National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payment is regularly in arrears for periods of more than 30 days"; and
- Review the arrangement to pay processes and procedures:
 - A consumer should be allowed to make an arrangement at any stage of the credit control process. Defaults on an arrangement should automatically result in further legal action, depending on the policy. Municipalities should not agree to an arrangement without a written admission of liability or consent to judgment in terms of Sections 57 or 58 of the Magistrates Court Act;
 - The arrangement should not be for an extended time period with very small monthly payments, therefore a limit must be placed on the minimum installment amount. Also note that the arrangement amount should be the sum of the installment plus the current value for that month;
 - Section 57 provides for a written admission of liability by the defendant and an undertaking by the defendant to pay the debt in installments or otherwise. This admission of liability is coupled with an agreement that in the event of the failure of the debtor to carry out the terms of the offer, the plaintiff may refer the matter to the Clerk of the Court for judgment to be entered against him/her. Under Section 57, judgment is therefore not entered until the debtor has failed to carry out the terms that were offered and accepted by the creditor; and
 - Under Section 58, the debtor unconditionally consents to judgment. The matter is immediately referred to the Clerk of the Court, who grants judgment. Where applicable, an order for payment in installments is made. Under this Section, the debtor therefore consents to judgment, and judgment is immediately entered into. It is recommended that municipalities use Section 58 as far as possible.

13 Loss Management

Electricity loss occurrences are divided into two categories technical and non-technical losses. Reducing these losses ensure that the cost of electricity to customers will be reduced and in turn improve the profitability of the electricity business.

a) Technical Losses

Technical energy losses naturally occur when electrical energy is transferred from one point to another. The medium through which electrical energy is transferred imposes a resistance to the flow and thereby some of the energy is dissipated as heat. Technical losses are normally between 6% and 8%.

b) Non-Technical Losses

Non-technical energy losses can be calculated as the difference between total energy losses and technical losses. These are typically caused by electricity theft (illegal connections, meter tampering), data and billing errors, etc.

Findings

- EM has appointed KD to conduct meter audits, remove tampered meters and reconnect after consumer pays a tampering fine;
- Meter audit does not include a clean sweep audit of all meters. KD only deals with those meters that have been tampered with;
- Meter tampering and electricity theft is highest in Sithembile and Sibongile. KD is not able to audit meters and disconnect tampered meters due to intimidation by consumers;
- Manager from KD not full time in Dundee and only visits twice a month. The Engineer ends up supervising KD staff;
- A manual system exists for recording information on those consumers that have tampered.
- Electricians working standby get time off during normal working time resulting in them being unavailable when needed during regular working hours; and
- In some instances consumer's information on the system regarding the type of electrical installation is incorrect. Consumers with 3 phase electricity are being charged for a single phase.

Recommendations

- Review the contract of KD against what is actually being delivered. If need be revise contract and measure performance of the contractors;
- Conduct a comprehensive audit of all meters at regular intervals. Implement meter audit cycle periodically during the year;
- Work in tandem with the SAP and ensure disconnections are carried out in Sithembile and Sibongile;
- The information pertaining to the incidents of theft and tampering needs to be linked to the consumers account in order to identify and take action against repeated tampering;

- Review overtime policy and agreements with labour with the objective of ensuring qualified technical staff do not get excessive time off during normal business hours; and
- Identify and correct consumer information regarding type of electrical installation.

14 Customer Communication

A sound communication strategy is a critical element to building local government long term sustainability. It is only through communication that customer and municipal expectations can be clearly articulated and understood by all relevant parties. Communication is a two-way process and involves community participation, which is enshrined in our constitution and municipal systems act. The communication process should facilitate alignment between municipal goals and community expectations. Furthermore, is also only through communication that the relationship between the municipality and its customer can be enhanced. Effective communications is a cross cutting critical success factor in building sustainable local government.

Effective communication is a process of conveying the right message to the right person or people in the right manner and at the right time. While this definition may seem simplistic there are many complexities hidden within its simplicity.

Findings

- Although EM has structures in place and frequently shares information with the community there is a need to develop an effective communication strategy;
- There is a need to communicate EM service levels and quality needs to be communicated to the community through a consumer charter;
- The linkage between service payments and revenue allocation needs to be emphasised in the communication process;
- The 'user pays' principle needs to be explained, placing the onus of payment primarily on the user of the services and not on the owner of the serviced site (where the user is a tenant or occupier other than the registered owner); and
- Consumer's need to understand their obligation to inform a municipality of changes to personal and other details.

Recommendations

- Develop a sound communications strategy built on sound, forward-looking programmes, projects, and policies;
- Determine who can and cannot pay for their services and why they can or cannot pay.
 - Target stratification is essential to ensure that the right message gets to the right people in a manner that they understand and can react to. From information obtained in the status quo assessment, as well as municipal reports, income surveys, social surveys, and debtor records, socio-economic profiles should be drawn up so that target markets can be identified according to those profiles. This information should then be used to design audience specific communication strategies. In sum, socio-

economic profiles are useful tools for identifying who should receive what communication message; and

- Attitude and perception studies related to municipal services, service delivery, and payment for those services should be done in key target areas to identify and understand perceptions and attitudes, as well as misconceptions, prejudices, and community priorities.
- Use the following communication media as a means of getting through to the community:
 - **Pamphlets** have the advantage of being relatively inexpensive to produce and easy to distribute. However, market research done in the commercial sector has shown that ideally a pamphlet should have little copy and maximum use should be made of graphics and illustrations. Pamphlets provide an appropriate medium for reinforcing positive messages and for supplementing knowledge where certain identifiable gaps may exist;
 - The ideal use of **posters** is to remind people of something that they already know, or to heighten their interest in something about which they have some knowledge. Therefore, use of posters to effect behavior change should be restricted to reinforcing what is already known;
 - **Workshops** are important forms of communication when properly facilitated and managed. They allow for challenge and discussion and, if well attended and properly promoted, are able to stimulate awareness quickly and cost-effectively. Indeed, at the commencement of any programme of social intervention, workshops involving the community and its structures are an indispensable communication tool;
 - **Public meetings** are best suited for disseminating information, in other words for providing one-way communication and they therefore fulfill a very limited role in development communications, which require a free two-way flow of information; and
 - **Radio** is ubiquitous and yet it is personal; this is its great strength. However, unless there is a popular local radio station aimed at a local listenership, its use will be very limited, as radio is best suited for more general communication at regional, provincial, and national levels.

15 Credit Control and Debt Collection Department Structure

Credit control and debt collection at municipal level are processes that require a systematic approach. This structure has to cater for three very critical aspects in any municipality, namely Credit Control, Debt Collection, and Customer Care. Customer Care is included since most queries and complaints are of a financial nature.

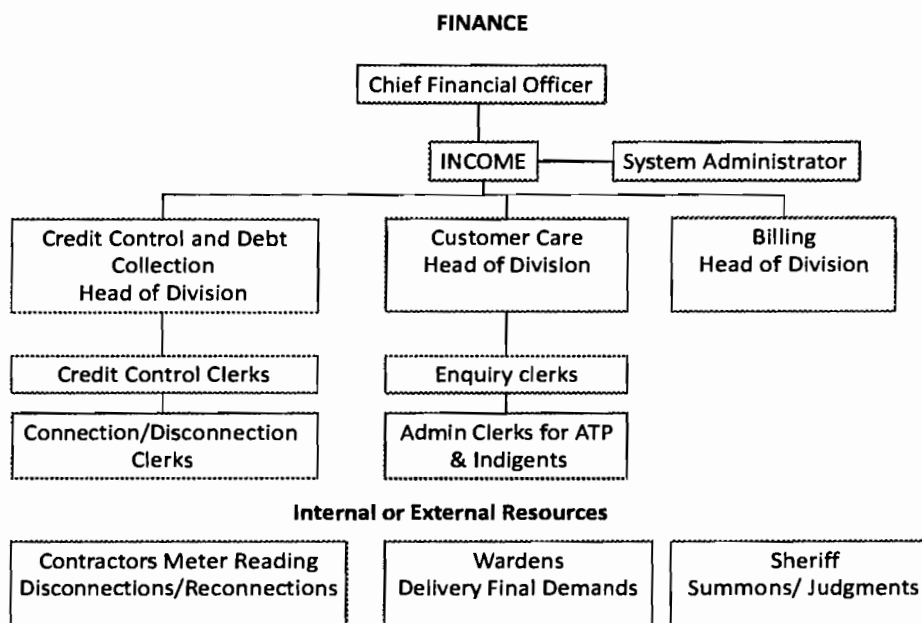
There are several tasks that need to be allocated to staff members in the credit control and debt collection environment. In smaller municipalities a single staff member will have to multi-task and can be expected to fulfill many different roles, while at the same time a larger municipality can have one task divided between several staff members.

Findings

- The structure of the credit control and debt collection function revolve around a few key staff
- There is very little emphasis on debt collection
- The customer care function has also a very limited scope in terms of what is needed

Recommendations

Although it is not a steadfast rule, municipalities with typically around 12 000 accounts fall into this category. More actions are combined to one person and in some cases the same person must take responsibility for more than one task. Below is a recommended structure for the credit Control Function that will be tailored prior to implementation.



When assigning work to users, it is important to keep in mind the dissemination of duties. In many cases the system allows you to distribute the tasks in such a way that one person does not have all the power to control the debt collection process, but especially in smaller municipalities certain checks and balances must be built into the process. Below are some of the tasks that need to be allocated.

TASKS

- Manage and control debt collection process
- Allocate accounts to different credit controllers
- Telephone consumers
- Send reminder letters
- Grant extensions

Auditing standards applied when conducting the annual audit

4. We will conduct our audit in accordance with the International Standards on Auditing (ISAs) read with *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and report on predetermined objectives are free from material misstatements.

Planning and performing the audit

5. Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements and report on predetermined objectives as well as compliance with applicable laws and regulations related to financial matters, financial management and other related matters. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements and report on predetermined objectives, whether due to fraud or error, and generally include:
 - evaluating whether all accounting policies are appropriate, in terms of SA Standards of GRAP, and are applied consistently;
 - determining significant risks of material misstatement, whether due to fraud or error;
 - evaluating the information systems used to record and report financial and non-financial information;
 - verifying samples of transactions and account balances;
 - evaluating the reasonableness of accounting estimates and judgements made by management;
 - confirming year-end balances;
 - performing analyses to identify anomalies in reported data;
 - determining whether all financial statement disclosures are adequate;
 - determining whether information supplied is relevant, reliable, comparable and understandable;
 - evaluating the overall fair presentation of the financial statements; and
 - considering whether the financial statements, after adjustments, are consistent with the auditor's understanding of the entity and its environment.
6. We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements or the report on predetermined objectives, or compliance with all applicable legislation.
7. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.
8. We evaluate the overall adequacy of the presentation of information in the financial statements and the manner in which the predetermined objectives are reported. We also read other information accompanying the financial statements to identify whether there are material inconsistencies between the audited financial statements and the report on predetermined objectives.

9. In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements, and its report on predetermined objectives, in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control.
10. We will communicate to you, in writing, any significant deficiencies in internal control relevant to the audit of the financial statements, the report on predetermined objectives and non-compliance with laws and regulations that we have identified during the audit. We will also include in the audit report reference to the deficiencies that may have resulted in a qualified, adverse or disclaimer of our audit opinion.

Material misstatements

11. Misstatements identified during the audit are either as a result of:
 - a difference between the amount, classification, presentation or disclosure of a reported financial statement amount and the amount, classification, presentation or disclosure that is required for the item to be in accordance with SA Standards of GRAP as well as applicable laws and regulations.
 - or
 - a limitation on the scope of the audit. This occurs when we are unable to apply our audit procedures to a selected item that we consider necessary for the purposes of our audit due to the requested information not having been submitted.
12. Misstatements can arise from fraud or error. In evaluating misstatements we will also consider the nature, cause and circumstances of their occurrence.
13. When misstatements are detected, we will request management to examine the class of transactions, account balance or disclosure and correct the misstatements or to confirm that they are unable to supply the missing documentation.

Reports arising from the annual audit

14. The reports arising from the annual audit are:
 - the auditor's report on the financial statements and other legal and regulatory requirements, covering the report on predetermined objectives, compliance with laws and regulations and internal control (financial management).
 - the management report provided to the accounting officer.

Auditor's report

15. In order to form our audit opinion, we conclude on whether we have obtained reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error. This conclusion takes into account whether sufficient appropriate audit evidence has been obtained and whether uncorrected misstatements are material, individually or in aggregate.
16. The audit report arising from the annual audit contains, inter alia:
 - an opinion as to whether the financial statements, in all material respects, fairly present the financial position, results of operations and cash flows of the **Endumeni Municipality**, in accordance with SA Standards of GRAP and in the manner required by the MFMA.

- a basis for a qualified/adverse/disclaimer of opinion paragraphs, as appropriate, that describe the matters giving rise to the modifications of the auditor's opinion.
- (an) emphasis of matter paragraph(s) when, in the auditor's judgement, it is necessary to draw the user's attention to a matter which is appropriately presented or disclosed in the financial statements but which is fundamental to the user's understanding of the financial statements (this does not impact on the audit opinion).
- (an) additional matter paragraph(s) that is relevant to the user's understanding of the auditor's responsibilities or the auditor's report (this does not impact on the audit opinion).
- other legal and regulatory requirements which incorporates audit findings on whether the reported performance against pre-determined objectives is reliable, accurate and complete based on predetermined criteria; findings on compliance with key laws and regulations; and an assessment on the status of internal control as it pertains to the matters included in the audit report.

17. The auditor's opinion does not:

- provide a guarantee of absolute accuracy in the financial statements and report on predetermined objectives.
- express a view on the adequacy of the municipality's information and internal control systems or the effectiveness and efficiency with which the accounting officer has conducted the affairs of the municipality.
- guarantee the municipality's full compliance with all applicable laws and legislation.
- provide absolute assurance on the achievement of the municipality's performance objectives.
- provide assurance that all internal controls necessary to address risks over financial and performance reporting have been implemented.
- provide an opinion or view on the possible outcome of any investigations in progress, irrespective of who is conducting the investigation.
- guarantee the municipality's future viability.

Management report to the accounting officer

18. The management report is provided to the accounting officer and communicates any matters that came to our attention during the audit which, in our opinion, are relevant to the municipality. These findings will be presented as follows:

- Significant findings from the audit of the financial statements;
- Significant findings from the audit of the report on predetermined objectives;
- Significant findings from the audit of compliance with key laws and regulations as they pertain to financial matters;
- Significant findings concerning the systems of internal control;
- Significant findings from specific focus areas; and
- Information on other audits conducted other than on the financial statements.
- Detailed audit findings rated as follows:

- o Matters affecting the auditor's report.
 - o Other Important matters.
 - o Administrative matters.
19. The report will include the auditor's recommendations on how the matters reported should be addressed. Management will be requested to indicate agreement with the facts of the findings as well as to comment on how the matter will be rectified and the anticipated date by which such action would have been completed. The accounting officer remains responsible for all comments submitted. The accounting officer should ensure that the appropriate senior officials are available to provide the required responses within the agreed time frames.
20. The report will be issued at least at the conclusion of the audit or at such intervals during the audit as may be appropriate in the circumstances.

Other communication with those charged with governance and management

21. In addition to the audit report and the management report, it will be necessary to communicate other matters with those charged with governance and management, which may include persons in the municipality's governance structure other than the accounting officer and management, such as the audit committee.
22. The form, timing and general content of this communication will depend on the circumstances, and may include:
- gaining an understanding of the municipality and its environment;
 - gaining an understanding of the municipality's objectives and strategies and the related risks that may result in the misstatement of the financial statements and the performance report;
 - discussing the audit strategy;
 - regular discussions on the status of key controls relating to financial reporting, compliance with laws and regulations and performance of predetermined objectives; and
 - discussion of audit findings and required action to address them.
23. Although most of this communication will be initiated by the auditor, communication from those charged with governance will also be required. Such two-way communication is important in developing an understanding of the matters related to the audit and a constructive working relationship. To this end we will require that those charged with governance make themselves available at the times agreed with the auditor to provide and discuss information relevant to the audit.

Our Independence

24. It is essential that we remain independent of the municipality. This involves being, and appearing to be, free of any interest that might be deemed incompatible with integrity, objectivity and independence. In this regard we have a code of conduct as prescribed by section (3)(b) of the PAA, which governs our professional conduct.
25. To protect our independence, specific limitations are placed on us in accepting engagements with the municipality other than the annual audit. We may accept

certain types of other engagements, subject to the requirements of the auditing standards and section 5(1)(a) of the PAA. Furthermore, we cannot be involved in any management decisions or assist management and those charged with governance with the discharge of their statutory responsibilities.

26. Any such other engagements will be the subject of a separate written engagement letter.

Responsibilities of management and those charged with governance

General responsibilities

27. Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand their responsibilities for, amongst others, the matters set out below.
28. The responsibility for the preparation of financial statements that fairly present the financial position, financial performance and cash flows of the municipality in accordance with SA Standards of GRAP, is that of the accounting officer with the assistance of management.
29. The responsibility for the preparation of the report on predetermined objectives that accurately, completely and reliably reports on actual achievements, indicators and targets, in accordance with:
- applicable laws and regulations;
 - the framework for the managing of programme report on predetermined objectives, issued by the National Treasury; and
 - relevant frameworks, circulars and guidance issued by the National Treasury and the Presidency regarding the planning, management, monitoring and reporting on the report on predetermined objectives.
30. The responsibility for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and report on predetermined objectives that is free from material misstatement; effectiveness and efficiency of operations; and compliance with applicable legislation. The systems of financial and risk management and internal control should provide reasonable assurance that adopted policies and prescribed procedures are adhered to for the prevention and detection of errors and irregularities, including fraud and illegal acts. They should also provide for the regular monitoring of performance against objectives, and ensure that waste is minimised and business is conducted with due regard to probity.
31. Disclosing known instances of non-compliance or suspected non-compliance with laws and regulations, of which the effects should be considered when preparing financial statements and the performance report.
32. Disclosing all matters concerning any risk, allegation or instances of fraud.
33. Accounting for and disclosing related party relationships and transactions.
34. The accounting officer is also responsible to provide us with:
- all information, such as records and documentation, and other matters that are relevant to the preparation and fair presentation of the financial statements and the report on predetermined objectives;

- any additional information that the auditor may request from management and those charged with governance; and
- unrestricted access to those within the entity from whom we determine it necessary to obtain evidence.

Specific responsibilities

35. The accounting officer has specific responsibilities relating to the preparation of the financial statements and report on predetermined objectives and in respect of financial management and accountability matters. These specific responsibilities are set out in the attachment to this letter. We assume that the accounting officer is familiar with those responsibilities and, where necessary, has obtained advice on them.

Representation letter

36. As part of our normal audit procedures, we will request written confirmation of representations that we have received during the course of our audit and of the responsibilities of management and those charged with governance as outlined above. Failure to provide the auditors with the requested representation letter or inconsistencies between its content and other audit evidence may impact on the audit opinion.

37. Where management has refused to correct some, or all, of the misstatements communicated, management will be requested to make a representation concerning the reasons for not making the corrections.

General matters

Statutory reporting deadlines, submission of information for audit and correction of material misstatements

38. In order to meet the statutory reporting deadlines, we are dependent on receiving the financial statements and report on predetermined objectives within two months after the end of the financial year, that is, by **31 August 2011**. These statements and information must:

- comply with all applicable laws and regulations;
- comply **in full** with SA Standards of GRAP; and
- be supported by complete evidential information.

39. During the audit, information will be requested by the auditor which will be used in arriving at the conclusions on which the audit opinion will be based. If this information is not received within the agreed time period of **two days** from the date of the request, the lack thereof will be reported as a misstatement of the financial statements and report on predetermined objectives.

40. Audit findings concerning identified misstatements will be communicated during the course of the audit. Submission of a response to these communiqués whether it be comments, information or documentation in support of correcting entries, will be required within **two days** of the date of the communication of the finding.

41. The draft annual report and all other information that is to be issued with the financial statements should be submitted by **no later than 31 October 2011** in order for us to determine any inconsistencies with the audited financial

statements and report on predetermined objectives. If this information is not received as agreed, it may have a significant impact on the audit due to additional time that will be required to review events subsequent to the date of the auditor's report.

42. We will complete the annual audit and submit the final audit report to the accounting officer within three months of receipt of the financial statements and the report on predetermined objectives, unless that is not practicable due to the condition of the financial statements and report on predetermined objectives or for some other reason beyond our control. In these circumstances, a suitable date/timetable, to be agreed to by all parties, will be determined.
43. We look forward to full cooperation from your staff as contemplated by section 15 of the PAA.

Working papers

44. The working papers produced in conducting the audit are the confidential property of the AGSA and are not available for inspection.

Contracted auditors

45. It is possible that your audit could be conducted by an independent audit firm contracted by us. These auditors will conduct the audit under our supervision and on the same terms and conditions as set out in this letter. The AGSA remains responsible for the audit and the audit report.

Fees

46. Our fees are based on the time spent on your affairs by our managers and staff plus out-of-pocket expenses. Time may be spent on the audit at your premises or our premises as necessary. Individual hourly rates vary according to the experience and skills required and the responsibility involved. Our fees will be billed mid-month and at month end during the course of the audit and settlement is due within 30 days of date of invoice. Where the fees due are not paid at the end of this period, interest will be charged and legal proceedings may be implemented to collect amounts outstanding.

Liaison

47. The content of this letter and the accompanying document may be used by the AGSA as the basis for a relationship survey after completion of the audit process.
48. If you have any questions about the annual audit generally, or have any concerns about the quality of service you receive, you should contact **Jonathan Soobramoney** on **033 264 7400** as soon as possible.

Staff accommodation and resources

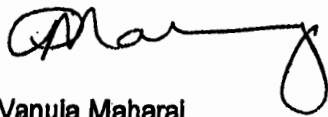
49. Section 19 of the PAA requires you to render reasonable assistance to the AGSA or the authorised auditors performing this audit. You are further required to accede free of charge all reasonable requests of the AGSA or authorised auditors to facilitate the expeditious completion of the audit, including the provision of suitable office accommodation and parking at your premises, logistical support and access to office equipment. Please ensure that the authorised auditors are made aware of any security and administrative arrangements with which they should comply.

Acknowledgement of the terms of the engagement

50. This letter will remain effective until a new audit engagement letter is issued. We would be grateful if you could confirm your agreement to the terms of this letter and acknowledge your responsibilities as the accounting officer by signing the enclosed copy.

51. If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely,



Vanuja Maharaj
Operational Leader: KZN

Enquiries: Sharifa Chenia
Telephone: (033) 264 7400
Fax: (033) 264 7596
Email: sharifac@agsa.co.za

Acknowledgement

The terms of this audit engagement letter are acknowledged and agreed to by the Accounting Officer on behalf of the **Endumeni Municipality**.

.....
Signed

.....
Mr. Maltman
Acting Accounting Officer

.....
Date

ANNEXURE TO THE AUDIT ENGAGEMENT LETTER

RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND THE AUDITOR IN RESPECT OF THE FINANCIAL STATEMENTS AND THE REPORT ON PREDETERMINED OBJECTIVES

<p>Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives</p>	<p>Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives</p>
<p>The accounting officer is required by the MFMA to prepare financial statements that comply with SA Standards of GRAP and to report on performance against predetermined objectives.</p> <p>The financial statements and the report on predetermined objectives must fairly present the financial position of the municipality's operations and cash flows as well as service performance achievements.</p> <p>The accounting officer must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and the report on predetermined objectives.</p> <p>The accounting officer is required by the MFMA to prepare the financial statements and the report on predetermined objectives and furnish them for auditing within two months of the balance date, that is, by 31 August 2011. It is normal practice for accounting officers to set their own timetable in order to comply with statutory reporting deadlines.</p>	<p>Our responsibilities are to conduct an annual audit and to form an opinion on whether the municipality's financial statements comply with SA Standards of GRAP.</p> <p>We form an opinion on whether these financial statements fairly present the municipality's financial position and the results of the municipality's operations and cash flows.</p> <p>We conclude on material shortcomings in the process, systems and procedures of reporting against predetermined objectives that come to our attention during the audit and that may impact on the public interest.</p> <p>We will also review other accompanying information to the financial statements and report on predetermined objectives to identify whether there are material inconsistencies with the audited financial statements and report on predetermined objectives.</p> <p>As part of our audit, we will ask the accounting officer for written confirmation concerning representations made to us in connection with the financial statements and the report on predetermined objectives. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern assumption is appropriate • all applicable legislative, regulatory and contractual requirements have been complied with • all material transactions have been included in the financial statements • all actual achievements against pre-

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
	<p>determined objectives, indicators and targets have been included in the annual performance report.</p> <ul style="list-style-type: none"> • uncorrected misstatements noted during the audit are immaterial to the financial statements and the report on predetermined objectives. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and make enquiries.</p>

Responsibilities in respect of the information systems

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
<p>The accounting officer is responsible for maintaining records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the municipality • enable the municipality to monitor the resources, activities and entities under its control • enable the financial position of the municipality to be determined with reasonable accuracy at any time • enable the accounting officer to prepare financial statements and the report on predetermined objectives that comply with the MFMA and other applicable legislation and allow the financial statements and the report on predetermined objectives to be readily and properly audited. 	<p>We will examine whether the municipality kept proper accounting and the report on predetermined objectives records.</p> <p>We will perform sufficient tests to obtain reasonable audit assurance as to whether the underlying records are reliable and adequate as a basis for the preparation of the financial statements and the report on predetermined objectives.</p> <p>Where, in our opinion, the records are not sufficiently reliable or accurate to enable the preparation of the financial statements and report on predetermined objectives and we are unable to obtain the evidence we require by other means, we will need to consider the impact on our audit report.</p>

Responsibilities in respect of information and internal control systems

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
<p>The accounting officer is responsible for establishing and maintaining information and internal control systems, supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and</p>	<p>The annual audit is not designed to identify all significant weaknesses in the municipality's information and internal control systems. We review the accounting and internal control systems only to the extent required to enable us</p>

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
reliability of financial and non-financial reporting.	<p>to express an opinion on the financial statements and to report on report on predetermined objectives.</p> <p>We will report to the accounting officer separately any deficiencies in the municipality's information and internal control systems, provided that they come to our attention and we consider them to be of relevance to the municipality. Our management report will provide constructive recommendations to assist you and your management team in addressing any deficiencies in the municipality's information and internal control systems.</p>

Responsibilities in respect of the prevention and detection of fraud and error

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
<p>The accounting officer is responsible for the prevention and detection of fraud and error through the application of internal control systems (appropriate to the size of the municipality), supported by written policies and procedures.</p> <p>In the event of identified, suspected or alleged fraud, the accounting officer has to deal with the matter as set out in the MFMA. The auditor should be informed immediately of any identified, suspected or alleged fraud.</p>	<p>We will design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and the report on predetermined objectives.</p> <p>Although we will review the accounting and internal control systems only to the extent required for us to express an opinion on the financial statements and to report on the report on predetermined objectives, we will:</p> <ul style="list-style-type: none"> • assess the effectiveness of internal control systems and procedures by which fraud and error are prevented and detected within the municipality • report to the accounting officer deficiencies in internal control systems and procedures related to monitoring the prevention and detection of fraud and error, provided that the weaknesses come to our notice and we consider them to be of relevance to the municipality. <p>As part of our audit, we will ask the accounting officer for written confirmation</p>

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
	<p>that the municipality has disclosed to us all known instances of fraud or suspected fraud affecting it.</p> <p>If we become aware of the possible existence of fraud – whether through the application of audit procedures, advice from the municipality's management or any other means – it is our responsibility to communicate this to the accounting officer with the expectation that action will be taken in compliance with the municipality's fraud prevention policy.</p>

Responsibilities in respect of compliance with laws and regulations

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
<p>The accounting officer is responsible for ensuring that systems, policies and procedures (appropriate to the size of the municipality) are in operation that will ensure that all applicable legislative, regulatory and contractual requirements that apply to the activities and functions of the municipality are complied with. Such systems, policies and procedures should be documented.</p>	<p>We will assess during the course of the audit whether the municipality has systems, policies and procedures in operation (to the extent that such systems, policies and procedures are appropriate given the size of the municipality) to ensure compliance with those legislative, regulatory and contractual requirements that we consider to be material.</p> <p>We will specifically perform audit tests to assess whether the municipality has complied with the following legislation, as applicable:</p> <ul style="list-style-type: none"> • MFMA • Division of Revenue Act (DoRA) <p>The way in which instances of non-compliance that come to our attention are reported will depend on their significance. All significant instances of non-compliance will be reported to the accounting officer and included in the audit report.</p> <p>We will also report to the accounting officer deficiencies that we observe in internal control systems, policies and</p>

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
	procedures relating to monitoring compliance with laws, regulations and contractual requirements, where relevant.

Responsibilities in respect of establishing and maintaining appropriate standards of conduct and personal integrity

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
The accounting officer should at all times take all practicable steps to ensure that members and employees of the municipality maintain high standards of conduct and personal integrity. The municipality's expected standards of conduct and personal integrity should preferably be documented in a code of conduct and, where applicable, be supported by policies and procedures.	During the audit, we will consider whether the accounting officer maintains high standards of conduct and personal integrity. Specifically, we will remain alert to significant instances where members and employees of the municipality may not have acted in accordance with the standards of conduct and personal integrity that are expected of them.

Responsibilities in respect of conflict of interest and related parties

Responsibilities of the accounting officer in respect of the financial statements and the report on predetermined objectives	Responsibilities of the auditor in respect of the financial statements and the report on predetermined objectives
<p>The accounting officer should have policies and procedures in operation to ensure that members of the municipality carry out their duties free from bias. In particular, the accounting officer must comply with the requirements of the MFMA and DoRA.</p> <p>The accounting officer should maintain a full and complete record of related parties and their interests. It is the responsibility of the accounting officer to record and disclose related party transactions in the financial statements in accordance with SA Standards of GRAP.</p>	In order to help determine whether members have carried out their duties free from bias, we will review information provided by the accounting officer that identifies related parties and will be alert to other material related party transactions. For related party transactions that come to our attention, we will check that the accounting officer has complied with any statutory requirements relating to conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements.

- 2(b) Fees payable to renew plans where the foundation inspection only take place after (2) 1 year(s) of approval of plans: 50% of current approval costs
- 2(c) Minor alterations / renovations approved, per certificate: R200.00
- 2(d) Re-inspection fee payable where necessary for building and sewer inspections: R150.00
- 2(e) Applications for the relaxation of building lines, side and rear spaces, per applications: R350.00.
- 2(f) Alterations to existing buildings, including alterations to floor layout plans, pedestrian malls, toilets, refuse areas and substations - 50% of the fees prescribed in (1) above
- 2(g) Swimming pools and miscellaneous. Fixed tariff for plans for swimming pools and other installations. (Additional to other plan fees): R150.00.
- 2(h) Special consent applications: R850.00
- 2(i) To permit the use of a street or public space by a person undertaking any work of erection or demolishing in terms of the National Building regulations, a fee of R10,00 per m² per week or part thereof, with a minimum of R150,00
- 2(j) Encroaching over Council land any fixed object or structure (gate control devices) R200,00 per annum
- 2(k) Approval of cellular phone structures and radio masts R2 500,00
- 2(l) Inspection of foundation trenches and authorisation to commence building work R200,00
- 2(m) Inspection of sewer line R200,00

3.

CEMETERY

Application for a burial permit, which fees shall include the service, digging and filling in of the graves :-

ALL

- 3 (a) ENDUMENI AREA CEMETERIES All ages R 396.00
- 3 (b) Where any work or cost is involved for interments over Saturdays, Sundays or public holidays, an additional fee of R165.00
- 3 (c) Hire of shovels N/C
- 3 (d) Burial of ashes in wall of remembrance R300.00
- 3 (e) Burial of ashes on or in a grave R220.00
- 3 (f) On application to purchase a plot after interment :- In respect of burial plots for adults and children R330.00
- 3 (g) On application for permission to exhume a dead body R725.00

Those that fall under the category of Pauper/Indigent as determined by Law or by Council's policies are exempted from (certain cemetery tariffs) tariff 3(a).

ELECTRICITY SUPPLY

Except where Council supplies power to a consumer in terms of a special agreement, the supply of an electrical current will be in terms of the undermentioned tariffs.

4 (1) TARIFF "A" PRE-PAID (94.70c/kWh)

1 Single phase supply with max CB rating 80A. Lighting and domestic current supplied to dwelling, churches, charitable organisations, clubs and sporting bodies.

0-50kWh	R0.65 /kWh
51-350kWh	R0.80 /kWh
351-600kWh	R1.00 /kWh
>600 kWh	R1.16 /kWh

4 (6) TARIFF "F" - (21.30c/kWh X 1.1245/ R130.50 kVa X 1.1245 - BASIC CHARGE OF R561.90 / PM)

NEW TARIFF:
R0.35/kWh R184.74/KVA - BASIC CHARGE OF R676.42/PM

3 Phase supply at 11 kV > 800 kVa for industries and firms with a requested MD of 800 kVa more, with a minimum MD of 70% of the previous 12 months maximum MD charge. For every increase or decrease in Eskom Tariffs, there shall be a corresponding increase or decrease in this Tariff.

- 4 (7) TARIFF "G" - (55.90c) /kWh
Registered welfare bodies.
0-50kWh R0.65 /kWh
51-350kWh R0.80 /kWh
351-600kWh R1.00 /kWh
>600 kWh R1.16 /kWh

- 4 (8) TARIFF "H" PRE-PAID (94.70c) R1.20 /kWh
1 Single phase supply with max CB rating 80A. Lighting and current supplied to small enterprises.

- 4 (9) TARIFF "I" (73.90c/kWh + BASIC CHARGE OF R104.90 /pm) R1.20/kWh - NO BASIC CHARGE
1 Single phase supply with max CB rating 80A. Lighting and current supplied to small enterprises.

- 4 (10) TARIFF "J" PRE-PAID (R0.98) R1.20/kWh
3 Phase supply at 0,4kV < 80A. Lighting and business current used for any purposes in shops, offices, garages, stores, restaurants, tearooms, cinemas, butcheries, dairies, boarding houses, consulting rooms and surgeries.

- 4 (11) TARIFF "K" (86.40c/kWh - BASIC CHARGE OF R224.80/pm) R1.20/kWh - NO BASIC CHARGE
3 Phase supply at 0,4kV < 80A. Lighting, domestic and business current used for any purposes in shops, offices, garages, stores, restaurants, tearooms, cinemas, butcheries, dairies, boarding houses, consulting rooms and surgeries.

4 (2) TARIFF "B" (73.90c/kWh + BASIC CHARGE OF R104.90 /pm)

1 Single phase supply with max CB rating 80A. Lighting and domestic current supplied to dwelling, churches, charitable organisations, clubs and sporting bodies.

0-50kWh	R0.65 /kWh
51-350kWh	R0.80 /kWh
351-600kWh	R1.00 /kWh
>600 kWh	R1.16 /kWh

- 4 (3) TARIFF "C" PRE-PAID (R0.98/kWh)
3 Phase supply at 0,4kV < 80A. Lighting and domestic current used for clubs and residential purposes.

0-50kWh	R0.65 /kWh
51-350kWh	R0.80 /kWh
351-600kWh	R1.00 /kWh
>600 kWh	R1.16 /kWh

- 4 (4) TARIFF "D" (86.40c/kWh - BASIC CHARGE OF R224.80/pm)

3 Phase supply at 0,4kV < 80A. Lighting and domestic current used for any purposes by clubs and residential consumers.

0-50kWh	R0.65 /kWh
51-350kWh	R0.80 /kWh
351-600kWh	R1.00 /kWh
>600 kWh	R1.16 /kWh

- 4 (5) TARIFF "E" - (21.30c/kWh X 1.176/ R130.50 KVA X 1.176 - BASIC CHARGE OF R561.90/PM)

NEW TARIFF:
R0.35/kWh R184.74/KVA - BASIC CHARGE OF R676.42/PM

3 Phase supply at 0,4 kV > 80A CB with a minimum MD charge of 70% of the previous 12 months maximum MD charge. Lighting, domestic and business current used for any purposes in shops, offices, garages, stores, restaurants, tearooms, cinemas, butcheries, dairies, boarding houses, consulting rooms, surgeries, clubs and residential premises and all other buildings not provided for excluding buildings for which a special agreement has been reached for the supply of electricity. For every increase or decrease in Eskom Tariffs, there shall be a corresponding increase or decrease in this Tariff.

4 (12) METERS

All meters used shall be the property of the Municipality and the consumer will be held responsible for any damage, except that caused by lightning, occurring to same.

4 (13) TEMPORARY SUPPLIES

All current for temporary supplies shall be charged at the rate of R 5.00/KW.h. subject to minimum charge of R95.10 per month. All charges under this tariff shall be nett.

4 (14) STREET LIGHTING

All kilowatt hours at (53.32 c) R0.644/KW.h.

4 (15) SERVICE CONNECTIONS

- (a) Domestic supplies up to 60A-single phase connections :-
Cost plus 10% of labour, material and apparatus used within the consumer's property boundary including any transport costs incurred, with a minimum charge of R 745.00
- (b) All other connections except those provided under [c] below, cost plus 10% of labour, supervision, material and apparatus used within the consumer's property boundary including any transport costs incurred, with a minimum charge of R990.00
- (c) Connections where cable in excess of 16mm and/or a transformer (s) and/or switchgear are required will be subject to negotiation in which event the cost will be fixed with due consideration to existing and possible future development.

(d) ELECTRICITY CONNECTIONS

New electricity connections will be made after a written quotation is obtained and approved from Manager Technical Services and payment effected in full in accordance with NRS O47 standards with a minimum charge per connection as follows:-

- (a) R745.00
(b) R990.00
(c) R990.00

(e) SECOND ELECTRICITY CONNECTIONS

The costs within the consumers property boundary as per (a), (b), (c) and (d) above and in addition costs plus 10% labour, material and apparatus used outside the consumers property boundary including transport costs incurred to connect to the main electricity supply with a minimum charge of R950.00

4(16) DISCONNECTION AND RECONNECTION FEES SHALL BE PAID IN ACCORDANCE WITH THE FOLLOWING :

- (a) Disconnection for non-payment of account R110.00
- (b) Reconnection after disconnection of non-payment of account
During normal working hours R110.00
After hours R248.00
- (c) Disconnection of overhead service for safety reasons to permit work on a roof R110.00
- (d) Reconnection of overhead service after disconnection for safety reasons to permit work on a roof R110.00
- (e) Disconnection for any other reason at request of consumer or contractor R110.00
- (f) Reconnection after disconnection for any other reason at request of the consumer or contractor R110.00

4(17) ATTENDANCE TO COMPLAINTS RE-FAILURE OF LIGHTS OR POWER

For each visit in working hours to attend to a complaint relating to the failure of power, a fee of R110.00 shall be paid and for each visit after working hours to attend to such a complaint, a fee of R248.00 shall be paid, provided that no charge shall be levied if the fault is found outside consumers

RESOLUTION TAKEN DURING THE MEETING OF THE EXECUTIVE COMMITTEE/MUNICIPAL COUNCIL HELD ON 28 JULY 2010 IN THE COUNCIL CHAMBER, CIVIC CENTRE, 64 VICTORIA STREET, DUNDEE

B 02/19/07/10-1 LABOUR FORUM COMMITTEE MEETING {P3/16(a)}

RESOLVED

THAT the following recommendations as contained in the Minutes of the Local Labour Forum meeting held on 15 July 2010, be adopted as resolutions of the Executive Committee:

B 02/19/07/10-1.2 RECRUITMENT AND SELECTION POLICY

RESOLVED

HRO

THAT the minutes of the Council Workshop which was held on the 01st July 2010 including the Recruitment and Selection Policy as amended be approved and adopted by Council.



B 02/19/07/10-1.2 RECRUITMENT AND SELECTION POLICY

RESOLVED TO RECOMMEND

THAT the minutes of the Council Workshop which was held on the 01st July 2010 including the Recruitment and Selection Policy as amended be approved and adopted by Council.



6. RECRUITMENT AND SELECTION POLICY

REPORT: MANAGER CORPORATE SERVICES

The committee will recall that at its previous Local Labour Forum meeting held on the 22nd June 2010 it recommended that the Recruitment and Selection Policy be work shopped by Council. The said policy has been work shopped by Council on the 01st July 2010, the minutes of which is attached as Annexure A.

IT IS

RECOMMENDED

THAT

1. The amended Recruitment and Selection Policy attached as Annexure B be approved and adopted by Council.

* * * * *

RESOLUTION TAKEN DURING THE MEETING OF THE EXECUTIVE COMMITTEE/MUNICIPAL COUNCIL HELD ON 28 JUNE 2010 IN THE COUNCIL CHAMBER, CIVIC CENTRE, 64 VICTORIA STREET, DUNDEE

B 02/14/06/10-8 LABOUR FORUM COMMITTEE MEETING {P3/16(a)}

RESOLVED

THAT the following recommendations as contained in the Minutes of the Local Labour Forum meeting held on 22 June 2010, be adopted as resolutions of the Executive Committee:

B 02/14/06/10-8.2 RECRUITMENT AND SELECTION AND TRAINING POLICY

RESOLVED

THAT it be noted that these policies have been tabled and will be work shopped on Thursday, 01st July 2010 at 10h00



5. RECRUITMENT AND SELECTION AND TRAINING POLICY

RESOLVED TO RECOMMEND

THAT it be noted that these policies have been tabled and will be work shopped on Thursday, 01st July 2010 at 10h00



5. **RECRUITMENT AND SELECTION AND TRAINING POLICY**

4

REPORT: MANAGER CORPORATE SERVICES

Attached as an annexure is the under mentioned policies:

- Recruitment and Selection Policy
- Training Policy

SUBMITTED FOR CONSIDERATION

* * * * *



RECRUITMENT AND SELECTION
POLICY
OF
ENDUMENI MUNICIPALITY

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1. PREAMBLE

Endumeni Municipality is an equal opportunity, affirmative action employer and pays significant attention to the recruitment and selection of staff in order to ensure fair treatment of all applicants and to secure the appointment of persons who will be able to contribute towards the long term success of the Council.

2. APPLICATION OF THE POLICY

2.1 This policy is applicable and binding to both the Municipality and all candidates and shall become operative on the date on which it is approved by Council.

2.2 The need to meet the requirements of the Employment Equity Act No.55/1998 and to ensure consistency between this policy and Councils Employment Equity Policy.

2.3 To ensure that recruitment occurs in a standardized, unbiased and effective manner and that candidates are selected objectively and on merit.

3. THE NEED FOR A POLICY

The need for a policy stems from the inherent requirement that all applicants and candidates are treated equally, fairly and without bias. It further ensures effective and efficient administration of the recruitment and selection process.

4. DEFINITIONS

In this policy, unless the context otherwise indicates: - "Relevant Legislation" means:

- The Labour Relations Act, 1995 (Act No. 66 of 1995)
- The Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- The Employment Equity Act, 1998 (Act No.55 of 1998)
- The Skills Development Act, 1998 (Act No. 97 of 1998)
- The Municipal Systems Act, 2000 (Act No. 32 of 2000)
- Councils conditions of employment as determined by the South African Local Government Bargaining Council (SALGBC)

4.1 Candidate: means an applicant for a vacant post

4.2 Canvassing: means campaigning and soliciting support for appointment to realize an unfair advantage.

- 4.3 Contract Employees:** means employees who are employed for a specific project which is to be finalized within a specified period of time
- 4.4 Council:** means the Executive Committee of the Endumeni Municipality, and a Standing Committee thereof dealing with Human Resource related matters, or any person with delegated authority to deal with such matters.
- 4.5 Employee:** means any person who is permanently employed by the Council.
- 4.6 Internal Applicants:** means permanent, temporary and contractual employees that are currently working for the Endumeni Municipality.
- 4.7 Municipality:** means the Endumeni Municipality
- 4.8 Panel:** means a committee consisting of the HOD or Supervisor, an official from the Human Resources Department and representatives of IMATU and SAMWU with the sole purpose of short listing, interviewing and appointing candidates in posts.
- 4.9 Reference Check:** means the gathering of information about a candidate's past history from people with whom such candidate has been associated.
- 4.10 Suitably Qualified Person:** means any one of, or any combination of that Person/s:
- A: Formal Qualifications
 - B: Prior Learning
 - C: Relevant Experience
 - D: Capacity to acquire, within a reasonable time, the ability to do the job.
- 4.11 Temporary Employee:** means employees who work for an unspecified period but no more than 45 hours a month
- 4.12 Trade Union:** means organized labour as represented in the Endumeni by IMATU (Independent Municipal and Allied Trade Union) and SAMWU (South African Municipal Workers Union).
- 4.13 Vacant Position:** means a position that is on the approved Organizational Structure of Endumeni Municipality, which is vacant or has become vacant as a result of resignation, death, dismissal, demotion, promotion or medical boarding.

5. RECRUITMENT PROCESS

5.1 GENERAL PRINCIPLES

5.1.1 Every post must have an approved job description which outlines the key functions and requirements of that particular job and indicating the position of the post in the approved Organograms of the Endumeni Municipality.

5.1.2 The Job Description must contain the Identified qualifications and competencies, abilities, proficiencies, recommended educational requirements, relevant experience required as well as other basic abilities and skills required in order to perform the job.

5.1.3 The recruitment of candidates shall be undertaken by the panel and recruitments shall be done only in the event of vacant position(s) existing on the Municipality's approved Organizational Structure.

5.1.4 The Human Resource Department must ensure that the correct recruitment and selection procedure is followed.

5.1.5 Any candidate who canvasses to be recruited by the Municipality shall be disqualified (this will be stated in the advertisement).

5.1.6 All vacancies shall first be advertised internally on all notice boards to ensure that existing employees are informed of all vacant positions. Heads of Departments and supervisory personnel shall take necessary steps to ensure that advertisements are timeously placed on all notice boards.

5.2 AUTHORISATION FOR FILLING A VACANT POST

5.2.1 Upon the creation of a new position, the Head of Department will submit a report to the Local Labour Forum Committee motivating the filling of such post.

5.2.2 On approval from the Local labour Forum the Head of Department together with the Human Resource Department shall verify the following:

5.1.2.1 Specifications

5.1.2.2 Funding for the post

5.1.2.3 Applicable terms of employment & conditions of service.

5.3 ADVERTISING OF VACANT POSTS

5.3.1 The Human Resource Department will place the advertisement for the vacant post once it has been determined whether the post should be advertised internally or externally.

5.3.2 Advertisements for the vacant position shall clearly specify:

- The job requirements
- The qualifications and experience required to perform the job in terms of the job description for the specific post
- Salary and benefits of Council
- Closing date
- The strict prohibition of canvassing

5.3.3 Advertisements shall inform all applicants that:

- Endumeni Municipality is an affirmative action and equal opportunity employer and adheres to the requirements as contained in the Employment Equity Act.
- All applicants may be required to undergo a proficiency test.
- If no response has been received after 3 weeks after closing date, applicants must regard their application as unsuccessful.
- No applications that are received late and/or after the closing date will be accepted.

5.3.4 The choice of newspaper for the display of external advertisements will be at the discretion of the Human Resource department and all external advertisements should also be advertised in the local newspaper in order for members of the local community to have access to information regarding vacancies.

5.3.5 Internal advertising of vacant posts will occur by advertisements or circulars being placed on all Councils notice boards.

5.4 APPLICATION PROCEDURE

5.4.1 All enquiries about any advertised post shall be directed to the Human Resource Department unless otherwise stipulated in the advert. Preferably all enquiries should wherever possible be directed to the supervisor of the Department were the post is being advertised.

5.4.2 All employment applications must be submitted on the Official application form together with a Covering Letter, Curriculum Vitae and Certified copies of all Testimonials, Qualifications, Certificates, ID copies and Drivers License.

5.4.3 The format of the Official Application Form should be simple and based on job related information.

5.4.4 All applications shall be received by the Registry Department.

5.4.5 All received applications shall be stamped with a date stamp and captured in the master list of applicants by the Registry Department.

5.4.6 Testing of applicants may be done to determine the shortlist and/or the number of applicants. The tests will be compiled by the relevant department in conjunction with the Human Resource Department and the Trade Unions. Where test results are used in the final assessment of the candidate, the candidate with the highest test mark may not necessarily be the successful candidate.

6. SHORTLISTING

Short- listing is the process during which all applications received in time for a specific advertised position are evaluated against the actual minimum job requirements of the position as reflected in the required formal Qualifications and/or experience.

6.1 A panel consisting of representatives from the Human Resource Department, the Unions (IMATU and SAMWU) and the Supervisor and/or Head of Department concerned draws up a short-list.

6.2 Internal applicants should be given preference.

6.3 Short-Lists must be kept as short as possible (maximum of 6 candidates as far as possible).

6.4 Once the short-list has been drawn up all parties must sign the short-list and no other candidate will be included without the consent of all the parties. The panel must then determine when interviews for the vacant position will take place.

6.5 The Secretary and/or Personal Assistant, the Supervisor and/or the Head of Department for the relevant department must type the shortlist and contact all short-listed applicants and arrange for the interviews.

7. THE SELECTION AND INTERVIEW PROCESS

7.1 FORMAT FOR THE INTERVIEW

The structure for the interview should be decided in advance. The chairperson, (preferably the Head of Department and/or Supervisor), of the interview panel will agree and record a format for the interview. This format should include:

- A welcome by the chairperson
- An introduction to the panel members
- A brief explanation of the interview format
- A questioning session with reference to the person specification for the post
- A section where candidates are offered the opportunity to ask any questions

7.2 EQUITY CONSIDERATIONS IN THE SELECTION PROCESS

Within the selection process, to ensure fairness and accountability, and to meet the requirements of the Council's Employment Equity Policy, the following must take place:

7.2.1 A structured interview with open questions related to the job will be conducted.

Questions will vary from general career information to determine certain personality dimensions and general knowledge and experience related to the job.

7.2.2 To ensure consistency all applicants must be asked the same core questions in an interview.

7.2.3 All applicants must be assessed using the same techniques (e.g. if applicants are to give a presentation, all applicants must do so)

7.2.4 The questions to be asked are related to the relevant job competencies [note that the questions will have been determined at the short-listing meeting]

7.2.5 Careful consideration must be given to the use of any questions that may be perceived to be unfair or discriminatory by candidates.

7.2.6 The interview will be preferably conducted in the English language and should the candidate not clearly understand the language, an interpreter can be used.

7.2.7 Interview questions will be evaluated on a 5 point rating scale of which 1 is the lowest and 5 the highest score. Score rating form will be provided by the HR department (See attached Score sheet) For consistency, this score sheet will be used when conducting all interviews

7.2.8 Every member of the panel should at all times be present during the interview. Questions of a discriminatory character will be avoided.

7.2.9 All members of the interview panel shall keep all information obtained during the selection process confidential.

7.2.10 The practice of employing relatives of existing employees and/or councilors in preference to other applicants is to be strongly discouraged. Family Relatives of existing employees and Councilors who apply for employment by the Council will be dealt with in the same manner as any other applicant.

7.2.11 Due to there being no fixed qualification requirement for General Workers such candidates be appointed on the basis of performance and reliability, while currently being employed in a temporary basis in the Municipality's service.

8. SCORING AND VOTING PROCEDURE

8.1 Scoring will be based on the competency of the candidate in answering the questions.

8.2 The Interviewee with the highest score may not necessarily be appointed, due to other factors such as working experience, language abilities, interpersonal relationships and leadership style.

8.3 Where possible affirmative action and employment equity will be taken into account.

8.4 The interview discussion will take place immediately after the interview.

8.5 Individual scoring, notes and other relevant information from each member of the panel, will be discussed to enable the panel to reach consensus.

8.6 A recommendation for appointment shall be supported by a simple majority of the members of the panel present.

8.7 An interview selection form will be completed and signed by all relevant persons agreeing on the choice of candidate.

8.8 Union representatives attend the interviews solely as observers and are not entitled to score.

9. FEEDBACK TO CANDIDATES

9.1 All shortlisted candidates are to be advised of the outcome of their applications as soon as possible after the interviews.

9.2 The Supervisor and/or HOD must inform the successful applicant of their appointment via telephone.

9.3 All other short-listed application forms must be returned to the HR Officer, for letters to be sent to the unsuccessful applicants advising them of their unsuccessful application.

10. THE APPOINTMENT PROCESS

10.1 The completed application for vacancy form of the successful applicant must be given to the Human Resources Department together with the Interview selection form duly signed by the Interview panel.

10.2 The HR department will in turn complete all the necessary documentation [e.g. appointment letter] etc and forward same to the appointed applicant and the salaries department for processing.

10.3 The supervisor must ensure that on the day that the new employee commences work he/she must be brought to the HR Department where the HR Officer will explain leave rules, pension, etc to the employee.

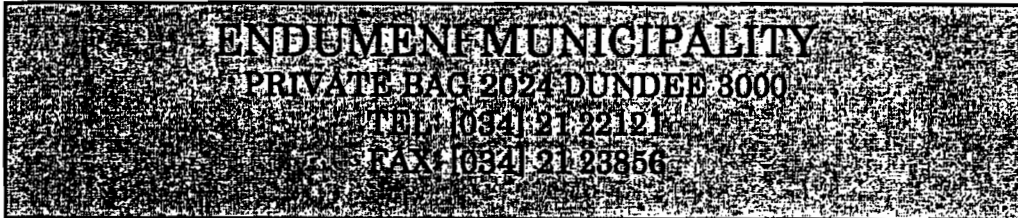
10.4 Since the new employee is on a six [6] months probationary period, the HR Officer will inform the HOD in writing when the time period has expired. The HOD

will in turn call upon the supervisor of the employee to discuss the employees' permanent appointment.

11. DISPUTE RESOLUTION AND AMENDMENT

11.1 In the event of any dispute as to the application of this policy the dispute shall be determined in accordance with applicable labour legislation and specifically the Labour Relations Act, 1995 (Act 66 of 1995) and the Councils conditions of employment.

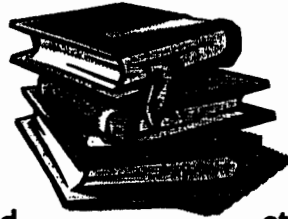
11.2 Any amendments to this policy will be negotiated by the parties and referred to the Local Labour Forum Committee of the Endumeni Municipality were a consensus is to be reached.



TRAINING POLICY

PREAMBLE

The principal aim of this policy is to provide clear guidelines and provide a framework for development and education of the staff of Integration of training initiatives and training strategy with the strategic plan and resources policies is the key to a meaningful and successful implementation of the Council's training policy. This policy is aimed at achieving all this as well as to ensure the alignment of the Council's Training policy with the Skills Development Plan.



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PURPOSE AND OBJECTIVES

The main aim of this policy is to establish a clear policy framework that will guide and give direction to all Education, Training and Development initiatives in the Endumeni Municipality.

To ensure that training interventions are linked to the municipal transformation processes.

To strive towards enabling an employee to reach and perform at his/her optimal level.

To ensure that training presented with an internal focus, whether by internal or external providers, will be appropriate and accessible to all employees of the Municipality

EQUITY AND EMPOWERMENT

Training initiatives in the Council should be aligned with the broader plans and programmes aimed at promoting equity and empowerment of the previously disadvantaged groups. For this reason it is of vital importance that the Council's training and development policy is aligned with the Council's Employment Equity policy as well as its recruitment and selection policy.

ADEQUATE FINANCIAL RESOURCES

Training and the Council's objectives cannot be achieved without a Skills Development Plan whereby funds are received from SETA.

CONSULTATION AND PARTICIPATION

Identification of training plans and the development of training and development programmes should be done in consultation with and participation of staff and other relevant stakeholders.

MONITORING AND EVALUATION

Ongoing monitoring and periodic evaluation of training and development programmes should be done to ensure that training and development of staff is in accordance with the training plans and that the desired impact and set objectives are achieved.

FUNCTIONS OF THE HUMAN RESOURCES DEPARTMENT

- Development of the Workplace Skills Plan
- Implement the Skills Plan
- Facilitate the appointment of service providers
- Report progress regarding the implementation of the Skills Plan
- Establish database for accredited training providers at local level
- Monitor effectiveness of training
- Monitor and Allocate SETA funds for training purposes.

SKILLS PLAN

The development of the Workplace Skills Plan is a requirement of the Skills Development Act. The Council's Skills Plan will be based on three levels i.e. the organisation, post level and the individual.

Organisational Level

An organisation analysis will be conducted to determine organisational needs based on the Council's long and short-term objectives, and priorities, to ensure that training is targeted.

Post Level

- Job profiles will be developed for all posts
- These will be used for the recruitment, career pathing and job evaluation process
- The skills audit will be conducted to determine the skills and knowledge requirements of the Council. These will enable different departments and sections to develop individuals in line with the requirements of the post.
- The skills plan for the Council will inform the Workplace Skills Plan which will be submitted to the relevant SETA

TYPES OF TRAINING

- Identification of training needs should be done in respect of both functional and generic training
- Development of training plans should take into consideration both "on the job" and "off the job" training. On the job training refers to training that takes place at work and is also experiential. Off the job training refers to training where individuals are taken through a formal programme away from the job.

TRAINING PROCESS

Competency based approach and development

- For the purpose of this policy, competency requirements will be described as skills, knowledge and attitudes required to effectively perform various jobs with the Council.
- Each department and section should identify competencies required and use this, as the basis for needs assessment.

- The HR department with the purpose of determining both job specific competencies and core transversal competencies will complete a skills audit form for all employees.
- Head of Department in conjunction with Sectional Head to determine the training needs in their departments.
- The information in respect of the training required to be given to the HR Officer who in turn will:
 1. Determine the best accredited training provider and in cases where training would be required for example electricians this will be done in conjunction with the sectional Head
 2. Receive quotes for in-house training where there are a number of employees to be trained in the same field for example ABET training
 3. Receive quotes for training to be conducted away from the workplace.
 4. Arrange consultation with chairman's of the two unions, head of department and sectional head with the view of determining date, times etc for the training to take place should this be in-house
 5. Arrange for the training should staff be required to attend training away from the workplace.
 6. Ensure that the Skills Development Plan and statistics are updated.
 7. Ensure that Head of Department are informed about the status of training in each of their department.

CONCLUSION

The goal of the Training Policy is to assist in developing loyal employees whose aim is to keep their customers satisfied. Management's commitment to training and development will be an essential tool in creating a corporate culture conducive to learning.

The Training Policy emphasises the need to:

- Provide for induction programmes and orientation training of all new staff
- Provide employees who have been disadvantaged by the educational history of our country, with an opportunity to obtain an education [ABET] that would ensure a fulfilling quality of life
- Provide for the attendance of short courses, conferences etc that will add to the value of the individuals' performance in the Municipality
- Ensure that appropriate training is available to all employees to reach and maintain satisfactory performance in their job.
- Provide training required by potentially promotable employees, so as to prepare them for their new responsibilities.
- Establish a culture of life-long learning in the municipality.

Training and development initiatives within the Municipality will strive to bring about planned change that involve all employees to ensure that we achieve effectiveness and efficiency as the Municipality that is accountable to the general public.

