



COUNCIL OVERSIGHT REPORT
2007/2008 FINANCIAL YEAR

Msunduzi Municipality
Council Oversight Committee



Councillors:

**Chairperson of the Oversight Committee
Councillor V Baijoo**

**Councillor SJ Majola
Councillor SJ Seymour
Councillor M Thebolla
Councillor NV Duze**

Community Representatives:

**R Khoza
MP Moya
V Wilson**

Prepared By:

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Dated: 18 March 2009


**Msunduzi Municipality
Council Oversight Report**

Table of Contents

1.	<i>2007/2008 OVERSIGHT REPORT</i>	<i>4</i>
2.	<i>ANNEXURE B – ANNUAL REPORT CHECKLIST.....</i>	<i>15</i>
3.	<i>PUBLIC NOTICES.....</i>	<i>30</i>
4.	<i>16 FEBRUARY 2009 – MINUTES OF THE OVERSIGHT COMMITTEE.....</i>	<i>32</i>
5.	<i>4 MARCH 2009 – MINUTES OF THE OVERSIGHT COMMITTEE.....</i>	<i>34</i>
6.	<i>6 MARCH 2009 – MINUTES OF THE OVERSIGHT COMMITTEE.....</i>	<i>39</i>
7.	<i>11 MARCH 2009 – MINUTES OF THE OVERSIGHT COMMITTEE.....</i>	<i>41</i>
8.	<i>18 MARCH 2009 – MINUTES OF THE OVERSIGHT COMMITTEE.....</i>	<i>45</i>
9.	<i>MANAGEMENT LETTER.....</i>	<i>50</i>

**MSUNDUZI MUNICIPALITY
OVERSIGHT COMMITTEE
18 MARCH 2009**





THE 2007/ 2008 OVERSIGHT REPORT CONSIDERING THE 2007/2008 ANNUAL REPORT OF THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

1. PURPOSE:

To submit to Council, in terms of Section 129 of the MFMA, the consolidated Oversight Report on the annual Report, encompassing the Msunduzi Municipality and its municipal entity.

2. ANNUAL REPORT

In compliance with the legislative requirements set out in the Municipal Systems Act, 32 of 2000, and the Municipal Finance Management Act 56 of 2003, an Annual Report has to be prepared and approved by Council. The Annual Report is attached as annexure. (**Bound separately**)

The Municipal Finance Management Act (MFMA) aims to modernize budget and financial management while simultaneously promoting transparency and accountability. It gives further impetus to annual reporting in terms of which municipalities are required to report against commitments in the Business Units' business plans, IDP, Budget and other supporting planning documents.

- 2.1. During a Council Meeting on 25 February 2009, the Council of Msunduzi Municipality accepted and noted the 2007/2008 Annual Report of the municipality. In terms of section 133 of the MFMA, the Mayor must submit the Annual Report within 7 months after the end of the financial year, which means that the report should be submitted by the end of January 2009.
- 2.2. The Annual Report was prepared in terms of the provisions of the MFMA. The Act aims to modernize budget and financial management whilst simultaneously promoting transparency in the process and accountability to its stakeholders.
- 2.3. The purpose of the annual report is to provide a record of the activities of the municipality and its entity; to provide a report on performance in service delivery and budget implementation; and, to promote accountability to the local community.
- 2.4. Once the Annual Report is tabled, the Accounting Officer must make the report public, invite public input, and submit the report to the Auditor-General, Provincial Treasury, National Treasury and the Department of Housing and Local Government.
- 2.5. The Annual Report was made available for public viewing immediately after being tabled in Council and has been published on the municipality's website www.msunduzi.gov.za.

2.6. Sections 122 to 129 of the MFMA place strict requirements on the process to be followed for the finalization and approval of the Annual Report. The following are process were completed:

- 2.6.1. Preparation of annual financial statements of the municipality and submission thereof to the Auditor-General {Section 122 (1) and (2) of the MFMA}
- 2.6.2. The preparation of the annual performance reports for all core departments within the municipality were achieved through updating the Service Delivery and Budget Implementation Plans (SDBIP). Section 46 of the Municipal Systems Act, No. 44 of 2003 (whilst initially delayed in terms of the MFMA this is required by the DoRA).
- 2.6.3. Finalisation of audit questionnaire regarding the City's performance management system: Section 46 of the Local Government: Municipal Systems Act, No. 32 of 2000 ("the MSA").
- 2.6.4. Receipt of final report from AG and corrective action taken. Sections 126 (3)(b) & 121 (3)(g) of the MFMA.
- 2.6.5. Discussion of Annual Report to Audit Committee: Section 121 (3)(j) of the MFMA.
- 2.6.6. Approval of draft Annual Report by EXCO Committee: Section 127 (2) of the MFMA.
- 2.6.7. Tabling of Annual Report to Council by Mayor: Section 127 (2) of the MFMA.
- 2.6.8. Allow for comment for 21 days by;
- 2.6.9. Consideration and adoption of Annual Report and development of Oversight Report by Full Council.
- 2.6.10. Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Department of Local Government.
- 2.6.11. Communication of final Annual Report; i.e. website, hard copies, etc.

3. OVERSIGHT REPORT

The Oversight Committee established by Council is responsible for the drafting of the Oversight report on the Annual Report. The adoption of the Oversight Report is the concluding step in the annual reporting of a municipality. The Oversight Report is a requirement in terms of Section 129 of the MFMA, which requires the Council to adopt an Oversight Report. Once the Annual Report is tabled, the Council has two (2) months in which to consider the report, invite the public submissions and to finalize its Oversight Report.

Council must consider the Annual Report and adopt an Oversight Report that includes a statement with one of the following:

- Approval of the report with or without reservations
- Rejection of the report; or
- Referral of the report back for revision of those components that can be revised.

The Oversight Report is a separate document from the Annual Report. The Annual Report is submitted to the Council by the Accounting Officer and Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the relevant financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the Municipal Council.

The Annual Report was tabled in Full Council on 25 February 2009. Immediately after tabling, the Annual Report of the Msunduzi Municipality was made available on the municipality's website, as well as the Area Base Management (ABA) offices. The Annual Report was also made available to the following Offices:

- The Office of the Auditor-General
- National Treasury
- The MEC – Treasury
- The MEC – Department of Local Government

The minutes of all meetings where the Msunduzi Municipality's Annual Report was discussed, (Minutes attached):

- (a) Oversight Committee Meeting – 16 February 2009 (*confirmed minutes included*)
- (b) Oversight Committee Meeting – 4 March 2009 (*confirmed minutes included*)
- (c) Oversight Committee Meeting – 6 March 2009 (*confirmed minutes included*)
- (d) Oversight Committee Meeting – 11 March 2009 (*confirmed minutes included*)
- (e) Oversight Committee Meeting – 18 March 2009 (*non-confirmed minutes included*)

- 3.1. **Public Consultation** – An advertisement in Zulu and English was published to invite, receive and consider written submissions, on the Annual Report as a consequence of the public participation process; with public submissions to be submitted to the Municipal Manager by 9 March 2009.
- 3.2. Invitation to receive and consider inputs on the Annual Report from councillors and other relevant committees were elicited through notice of the Oversight Committee Meeting on 4 March 2008.
- 3.3. The public hearing allowed the community of the municipality or any organs of State to make submissions on the Annual Report,
- 3.4. No comments were received from the community, the MEC – Treasury and the MEC for Department for Local Government. Opinions were, however, obtained from the Office of the Auditor-General in the original management letter, together with the Msunduzi Municipality management's responses, and are included as an attachment to this report.

4. KEY COMMENTS AND RESPONSES

Annexure A of Circular 32 of the MFMA recommends that the summary of key issues raised by the community, Auditor-General and other spheres in government, be detailed in the Oversight Report. In addition the Circular proposes that responses to questions raised in written representations be captured in the Oversight Report. This section summarises the key questions and comments from the Auditor-General, the Municipality's Audit Committee, the Council, as well as the responses by the Msunduzi Municipality's Management.

4.1. AG Management Letter

4.1.1. Management Letter Responses to the Report of the Auditor-General for the Year Ended 30 June 2008 (Annexure C)

4.1.1.1. **Audit Finding** – Our assessment of the effectiveness of the audit committee revealed that contrary to the requirements of the MFMA the audit committee did not adequately discharged its responsibilities, in that no evidence to justify that the following process occurred:

- Internal financial control and internal risks and internal audits;
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Compliance with the MFMA, DoRA and other legislation;
- Performance evaluation – It was noted that the draft policy was discussed in one of the EXCO meetings however not evaluations of actual performance evaluations were noted;
- Effective governance;
- A review the annual financial statements to provide the council of the municipality...with an authoritative and credible view of the financial position of the municipality..., its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

Root Cause:

Mechanisms in place to monitor and review operations and programs were not effective throughout the year.

Risk

Non compliance

Recommendation

The effectiveness of the audit committee in discharging its mandate as required by the MFMA should be assessed annually. The Municipality must

ensure that it provides this oversight bodies with timely and accurate information to allow monitoring of entity activities, including review of the entity's (1) missions and goals, (2) performance reporting, and (3) financial position and operating results.

Management Response:

The MFMA mandates the audit committee to undertake an advisory role with regards to specified areas of responsibility. Your concerns have been noted and will be addressed with the chairman of the audit committee.

- 4.1.2. The Accounting Officer was available to give the Oversight Committee an opportunity to elicit responses from management.

4.2. Comments on the 2007/2008 Audit Report by the Chairperson of the Audit Committee

The Chairperson of the Audit Committee highlighted the challenges the committee faced during the past months. He advised that the details of their frustration were expressed in depth in the minutes of the Audit Committee. He further stated that the non-replacement of the Executive Manager: Internal Audit had resulted in their recommendations not being implemented. He added that he had consulted the Municipal Manager a number of times advising him of the need to fill the post even on an acting capacity/basis until it was filled, but with no success. He pointed out that it was then not possible for the committee to function efficiently in the absence of the Head of the Internal Audit Unit as their oversight role was determined and relied so much on the functioning of this unit.

He also referred to the committee's reporting procedure where the minutes were forwarded to the Executive Committee and noted only but the recommendations were not enforced and consequently no implementation would take place. He advised that the committee took a decision to compile the minutes as a quarterly report to be presented to council so that the recommendations were approved and implemented.

He mentioned that the Audit Committee had a series of private / unofficial meetings outside council to investigate possible ways to resolve some of the challenges they encountered. He advised that the committee took a decision to submit a letter to the Auditor-General advising about the absence of the Head of the Internal Audit Unit and other challenges they faced; hoping that Auditor-General would intervene, which never happened.

He raised concerns regarding the issue of the forensic investigations that had taken place. He stated that they requested to be furnished with the information with the view to strengthen the risk and fraud strategy but did not receive any because it was said to be confidential. It was pointed out that the Internal Audit Unit was under-capacitated and had no budget to implement approved programmes and policies.

He acknowledged the comments by the Auditor-General that the Audit Committee did not fulfill its responsibilities for the year as set out in Section 165(2) of the Municipal Finance Management Act (MFMA), stating the lack of cooperation from management as the cause.

It was noted with concern that the Chairperson of the Audit Committee was not invited to attend the Full Council meeting where the office of the Auditor-General presented its report.

4.3. Comments on the 2007/2008 Audit Report by the Auditor-General

The Senior Manager: Auditor-General pointed out that there were errors noted in the Auditor-General's report included in the annual report. He also pointed out that there was no Auditor-General's signature at the end of the report; i.e. page 90. It was requested that the following errors on page 87 be rectified:-

- That the words „*ammendments*’ and „*defiation*’ under item „Emphasis of Matter” be amended to read as „*amendments*’ and „*deviation*’ respectively.
- That the word „*od*’ at end of the first paragraph under item „Amendments to the basis of Accounting” be replaced by „*of*’.
- That the word, ‘*governerment*’ be amended to read as ‘*government*’.
- That „14’ be inserted at the beginning of the paragraph under the item „Local Government: Municipal Planning and Performance Management Regulations, 2001”.

Responding to the comment made by the Deputy Municipal Manager: Finance, he stated that there was no misconception between the municipality and the Auditor-General regarding the restatement of corresponding figures and explained why he believed so.

The Manager: Office of the Municipal Manager acknowledged and apologized for the errors in the Auditor-General's report. The Municipal Manager undertook to issue an „erratum” to replace the Auditor-General's report in the annual report as it was not possible to reprint the annual report.

The Senior Manager: Auditor-General made comments on emphasis of matter, other matters, non-compliance with applicable legislation, matters of governance and inconsistent measurable objectives, adding these could lead to qualifications if they were not addressed in the next financial year. He then emphasized the importance of taking the alignment of Key Performance Indicators (KPI's), Service Delivery and Budget Implementation Plans (SDBIPs), strategic planning and the annual report seriously in order to prevent a qualified audit.

During the discussion the comment by the Audit Committee under item „the quality of management and monthly/ quarterly reports” was noted with concern. The committee also expressed concerns with regards to the comment of the Auditor-General where it was pointed out that the Audit Committee was unable to substantially fulfill its responsibilities for the year under consideration as set out in section 166 (2) of the Municipal Finance Management Act.

4.4. The Municipal Manager's response to the report of the Auditor-General on the 2007/2008 Annual Financial Statements.

The Municipal Manager led the committee through his report, highlighting the steps that had been taken to address concerns raised in the Auditor-General's report. He added that the risk management policy and fraud prevention plan would be considered at the Full Council meeting and the overtime action plan had also been formulated to monitor

and curb excessive overtime. He mentioned the issue of VIP protection service and vacant posts as some of the causes of overtime.

He advised that he had issued forms to councillors and urged them to declare their interests a number of times. He further advised that the Internal Audit Unit was functioning as it should with the appointment of its Executive Manager. He also stated that follow up steps on forensic investigations were in progress and hopefully a number of issues would be resolved during the current year.

The Chairperson thanked the Auditor-General's delegation for attending the current meeting and the cooperation offered in terms of assisting the committee so as to engage efficiently in the oversight process.

4.5. Deficiencies in Annual Report

As there was no proper report on the municipality's performance management system as is required by Section 46 of the MSA as well as Section 121 (3)(c) & (f) of the MFMA; the committee had a lengthy discussion whereby several opinions were put forward regarding the approach to be adopted in order to execute the task as stated in the ***Council Oversight Terms of Reference***.

The Chairperson referred to the recommendations made in respect of the 2006/07 annual report and requested the Municipal Manager to advise the committee on whether any steps had been taken to implement them.

The Municipal Manager firstly apologized for being unable to attend the previous meeting of the Oversight Committee. He then welcomed and thanked everyone who had participated in the oversight process and in particular the assistance provided by the Auditor-General's Office.

He stated that progress had been made in resolving the concerns raised as reservations by the Oversight Committee. He added that management was in the process of finalizing the tool to deal with performance management and further details would be made available the following week.

He acknowledged and apologized that the 2007/08 annual report was not tabled at the January 2009 Full Council meeting which did not take place. He pointed out that at times it becomes difficult to comply fully because of a number of submissions required in terms of legislation within almost same timeframe.

It was noted with concern that the annual report was not tabled at the last Full Council meeting in December 2008 and that the training of ward committee members on the annual report had not taken place to ensure that proper public participation takes place as per the Oversight Report recommendations the previous year. The Chairperson further emphasized the importance of encouraging the public to participate in the Council's activities as legislated.

After discussions the Municipal Manager and the Manager: Office of the Municipal Manager undertook to arrange for the training of the ward committees and councilors and it was later confirmed that it would be scheduled for Friday, 06 March 2009.

5. POLICY IMPLICATIONS

Significant findings from the audit

Non-compliance with applicable legislation

Local Government: Municipal Finance Management Act (MFMA)

- (16) A risk management policy and fraud prevention plan had not been approved and implemented as required by section 62 (c) of the MFMA.

Basic Conditions of Employment Act

- (17) Working hours exceeded the prescribed amounts, which was not in compliance with chapter 2, section 10 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997).
- (18) Overtime payments exceeded 30 percent of basic salaries.

Local government: Municipal Planning and Performance Management Regulations, 2001

- (19) There is a performance management system in place as required by section 7 (1), however this has not been fully implemented and operating as required.

Municipal Systems Act (Act 32 of 2000) [MSA]

- (20) Thirty eight councillors did not declare their business interests as required by Code of Conduct for Councillors, contained in Schedule 1, Section 5,6,7 and 8 of the MSA.

Matters of Governance

Implementation of Standards of Generally Recognised Accounting Practice (GRAP)

The Auditor-General warned the Oversight Committee that if the municipality did not comply with the following GRAP requirements, the municipality's next audit could be one with qualifications.

- (15) The municipality did not submit an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.
- (16) The municipality did not substantially comply with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.
- (17) The municipality did not submit an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.

6. LEGAL AND CONSTITUTIONAL IMPLICATION

The structure, form and content 2007/2008 Annual Report and Oversight Report have been prepared in compliance with the provisions of the Municipal systems Act (MSA) and the Municipal Finance Management Act (MFMA), and conform to the guidelines in Circular 32 issued by National Treasury. However, the Annual Report that was tabled in Full Council on 25 February 2009 did not meet the MFMA required filing deadline of 31 January.

7. FINANCIAL IMPLICATIONS

The 2007/2008 Annual Report and Oversight Reports will entail certain costs relating to distribution to stakeholders, community and Councillors for reference, which have been budgeted for in the 2008/2009 Budget.

8. COMMUNICATIONS IMPLICATIONS

The 2007/2008 Annual Report and Oversight Report will be distributed to the National Treasury, Auditor-General, MEC: Department of Local Government, MEC: Provincial Treasury. Both reports will be published on the Msunduzi Municipality's website.

IT IS RECOMMENDED:

1. That the Council, having considered the 2007/2008 Annual Report of the Msunduzi Municipality, as tabled on 25 February 2009, adopts the Oversight Report, in terms of Section 129 of the Municipal Finance Management Act (MFMA).
2. That the 2007/2008 Annual Report of the Msunduzi Municipality and its Municipal Entity, be **Approved - With Reservations**, in terms of Section 129 of the Municipal Finance Management Act (MFMA). **Reservations noted:**
 - A. There is no proper report on the municipality's performance management system as is required by Section 46 of the MSA as well as Section 121 (3)(c) & (f) of the MFMA.
 - B. The lack of a performance audit made it difficult for the committee to carry out its responsibilities;
 - C. That due to the absence of the audited performance, the committee was not in a position to question service delivery or backlogs in certain budget targets as set out in the implementation plan of business units Service Delivery and Budget Implementation Plans (SDBIP).
 - D. That progress in the following areas be noted:-
 - Measures taken to comply with GRAP in terms of the Accounting Standards.
 - Action plan is developed for the collection of debts owed to council and reduction of traffic fines.

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- There be an appointment of the Executive Manager: Internal Audit
- E. That the following items as per Annexure B (Annual Report Checklist – 2007/2008) not be endorsed because the performance had not been audited; over and above the fact that the Audit Committee did not perform its duties as set out in section 165(2) of MFMA:-
- The financial statements in relation to the accounting standards.
 - Assessment by the Accounting Officer against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.
 - The annual performance reports of the municipality and entities.
 - Audit reports on performance.
 - Service delivery performance on key services provided.
3. That the minutes of the meetings where the Annual Report was discussed, in the presence of the Accounting Officer (Municipal Manager), be submitted to the Auditor-General, MEC: Department of Local Government, and MEC: Provincial Treasury, as attached to the report, in terms of Section 129 (2) of the MFMA.
 4. That the corrective measures outlined in management's responses to the Auditor-General's management letter, be implemented.
 5. That a strategy to strengthen the functioning of the Ward Committees be developed; it being noted that Key Performance Indicators (KPIs) in their contract had to be developed and monitored closely.
 6. That a comprehensive report on the functioning of the Ward Committees be submitted to council so as to gauge their effectiveness in communities with a view to improve the deficiencies in case of any.
 7. That the Oversight Committee additionally recommends (as was recommended in the 2006/2007 Oversight Report, that:
 - A. Ward Committees be trained on the Annual Report,
 - B. Improved circulation of the advertisement for the oversight committee meetings, specifically targeting the major stakeholders, and
 - C. The Annual Report to be printed in Zulu language as well as English.
 8. It should be noted that none of the recommendations from the 2006/2007 Oversight Report were implemented by management and no satisfactory explanation was given.
 9. That the 2007/2008 Oversight Report of the Msunduzi Municipality and its Municipal Entity be made public in terms of Section 129 (3) of the Municipal Finance Management Act (MFMA); and be submitted to the KwaZulu Natal Provincial Legislature in terms of Section 132 (2) of the Municipal Finance Management Act (MFMA).

Respectfully submitted,

2006/2007 MSUNDUZI MUNICIPALITY'S OVERSIGHT COMMITTEE:

Councillors:

SJ Majola
SJ Seymour
V Baijoo
M Thebolla
NV Duze



Community Representatives:

R Khoza
MP Moya
V Wilson

Chairperson Councillor V Bajoo on behalf of the Oversight Committee

Dated: 18 MARCH 2009

ANNEXURE B: ANNUAL REPORT CHECKLIST – 2007/2008

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
<p>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</p>	<p>Financial reporting matters to be considered</p>	<p>Responses/Comments</p>
<p>121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p>Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexure, 23 June 2005, provides guidelines on the new accounting standards for municipalities. Have the required standards been met – refer to audit report and report of audit committee for views on this?</p>	<p>Comments by Oversight Committee:</p> <p>Annual Financial Statements have been prepared and submitted to the Auditor-General in accordance with the MFMA Guidelines. These Annual Financial Statements were submitted to the Auditor-General on 31 August 2008.</p> <p>The Senior Manager: Auditor-General made comments on emphasis of matter, other matters, non-compliance with applicable legislation, matters of governance and inconsistent measurable objectives, adding these could lead to qualifications if they were not addressed in the next financial year. He then emphasized the importance of taking the alignment of Key Performance Indicators (KPI's), Service Delivery Business Implementation Plans (SDBIPs), strategic planning and the annual report seriously in order to prevent a qualified audit.</p> <p>During the discussion the comment by the Audit Committee under item 'the quality of management and monthly/ quarterly reports' was noted with concern. The committee also expressed concerns with regards to the comment of the Auditor-General where it was pointed out that the Audit Committee was unable to substantially fulfill its responsibilities for the year under consideration as set out in section 166 (2) of the Municipal Finance</p>

		<p>Management Act</p> <p>Endorsed by Committee: Yes</p>
121 (3)(a)	The above applies also to the AFS of municipal entities.	<p><i>Annual Financial Statements were submitted to the municipality in accordance with the MFMA Guidelines. (See Deloitte & Touche Opinion on page 75 of the Annual Report)</i></p> <p>Endorsed by Committee. Yes</p>
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.	<p>Is the audit report included in the annual report as tabled? If not, when will the audit report be tabled? What are causes of the delays? What actions are being taken to expedite the report?</p>	<p>Comments by Oversight Committee:</p> <p>The Senior Manager: Auditor-General pointed out that there were errors noted in the Auditor-General's report included in the annual report. He also pointed out that there was no Auditor-General's signature at the end of the report; i.e. page 90. It was requested that the following errors on page 87 be rectified:-</p> <ul style="list-style-type: none"> • That the words '<i>ammendments</i>' and '<i>defiation</i>' under item 'Emphasis of Matter' be amended to read as '<i>amendments</i>' and '<i>deviation</i>' respectively. • That the word '<i>od</i>' at end of the first paragraph under item 'Amendments to the basis of Accounting' be replaced by '<i>of</i>'. • That the word, '<i>governerment</i>' be amended to read as '<i>government</i>'. • That '<i>14</i>' be inserted at the beginning of the paragraph under the item 'Local Government: Municipal Planning and Performance Management Regulations, 2001'. <p>Responding to the comment made by the Deputy Municipal Manager: Finance, he stated that there was no misconception between the</p>

		<p>municipality and the Auditor-General regarding the restatement of corresponding figures and explained why he believed so.</p> <p>The Manager: Office of the Municipal Manager acknowledged and apologized for the errors in the Auditor-General's report. The Municipal Manager undertook to issue an 'erratum' to replace the Auditor-General's report in the annual report as it was not possible to reprint the annual report.</p> <p>Endorsed by Committee: Yes</p>
121 (4)(b)	The above applies also to the AFS of municipal entities.	<p>Yes, Pg 76.</p> <p>Endorsed by Committee. Yes</p>
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	<p>The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.</p> <p>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?</p>	<p>Notes to the Annual Financial Statements: Pgs. 29 – 55</p> <p>Comments by Oversight Committee:</p> <ul style="list-style-type: none"> • Comments from the Chairperson of the Audit Committee – page 8 of the Oversight Report. • Comments from the representative from the Auditor-General – page 9 of the Oversight Report. <p>Endorsed by Committee. Yes</p>
121 (4)	The above applies also to the AFS of municipal entities.	<p>Notes to the Annual Financial Statements: Pgs. 80 – 82</p> <p>Comments by Oversight Committee:</p> <p>Endorsed by Committee. Yes</p>
121 (3)(e) An assessment by the	Has an adequate assessment been included?	<p>Traffic Fines Outstanding as of 30 June 2008 and corrective action</p>

<p>accounting officer on any arrears on municipal taxes and service charges, including municipal entities</p>	<p>Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?</p>	<p>taken (Page 54); Fraudulent Activities and corrective action taken Page 55).</p> <p>Most notable are the comments made by the Auditor-General on Page 89 – Investigations.</p> <p>Comments by Oversight Committee:</p> <ul style="list-style-type: none"> • Accept the report but want to see a reduction in Outstanding Fines <p>Endorsed by Committee. Yes</p>
<p>121 (4)(c)</p>	<p>The above applies also to the AFS of municipal entities.</p>	<p>N/A</p>
<p>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</p>	<p>Financial reporting matters to be considered</p>	<p>Responses/Comments</p>
<p>121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports</p>	<p>The conclusions of the annual audit may be either –</p> <ul style="list-style-type: none"> ▪ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ▪ a qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or ▪ the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. ▪ Adverse opinion; indicating that a Municipality's financial statements are misrepresented, misstated, and do not accurately reflect its financial performance and health. The objective of the municipality should be to achieve an unqualified audit opinion. <p>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> ▪ To what extent does the report indicate serious or minor financial issues? ▪ To what extent are the same issues 	<p>The Msunduzi Municipality received an unqualified audit opinion and presented fairly the financial position of the municipality, with management issues identified, which means that the financial statements are acceptable.</p> <p>For further guidance, reference Matters of Governance – Page 88; Other Reporting Responsibilities – Page 89; and Other Reports – Page 89.</p> <p>Comments by Oversight Committee:</p> <ul style="list-style-type: none"> • Matters of Governance was a concern. • Municipal Manager's answer on pages 94 & 95 • Councillors declaration of interests was a concern. <p>The Municipal Manager advised that he had issued forms to councillors and urged them to declare their interests a number of times. He further</p>

	<p>repeated from previous audits?</p> <ul style="list-style-type: none"> ▪ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? ▪ Has a schedule of action to be taken been included in the annual report, with appropriate due dates? <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MECs for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MECs.</p>	<p>advised that the Internal Audit Unit was functioning as it should with the appointment of its Executive Manager. He also stated that follow up steps on forensic investigations were in progress and hopefully a number of issues would be resolved during the current year.</p> <ul style="list-style-type: none"> • Recommendation from the committee is that each councillor read the Councillor’s Code of Conduct and sign the conflict of interest form. <p>Endorsed by Committee. Yes</p>
121 (4)(e)	The above applies also to the AFS of municipal entities.	N/A
<p>121 (3)(f) An assessment by the municipality’s accounting officer of the municipality’s performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <p>Has the performance met the expectations of council and the community? Have the objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget?</p> <p>Council should comment and draw conclusions on performance and explanations provided.</p>	<p>Annual Municipal Performance Report – Page 97;</p> <ul style="list-style-type: none"> • A Balanced Scorecard for the each of the Strategic Business Units (SBUs) begins on page 98. • Included for each SBU are Key Objectives, Key Performance Indicators (KPAs), Annual Targets, Actual Achievements, Variances and the Reason for the Variances. • Legislated Key Performance Indicators (Provincial) – Pages 116 – 126. <p>Comments by Oversight Committee:</p> <ul style="list-style-type: none"> • The Chairperson suggested that the deficiencies in the performance of the municipality as indicated in the management letter be identified; where after the committee advises and recommends to council accordingly. He expressed concern regarding the auditing

		<p>of the council performance, stating that since the Audit Committee was unable to perform its duties diligently, it would mean council performance would still be unaudited for the current financial year.</p> <p>The Oversight Committee recommends that a strategy to strengthen the functioning of the Ward Committees be developed; it being noted that Key Performance Indicators (KPIs) in their contract had to be developed and monitored closely.</p> <p>Additionally, it is recommended that a comprehensive report on the functioning of the Ward Committees be submitted to council so as to gauge their effectiveness in communities with a view to improve the deficiencies in case of any.</p> <p>Endorsed by Committee: No</p>
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.	N/A
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
121 (4)(d) An assessment by the municipal entity’s accounting officer of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity’s annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the	<p>Summary of Key Performance Indicators included on page 84.</p> <p>Comments by the Oversight Committee:</p> <p>The committee received a report from Safe City. The CEO explained what was meant by petty crime. She advised that the core function of Safe City was crime</p>

<p>entity and the municipality</p>	<p>performance of entities. Has the performance met the expectations of council and the community? Have the performance objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget? Council should comment and draw conclusions on performance and explanations provided.</p>	<p>prevention and that they had no competency in prosecution. She added that they had invited the Council Traffic unit to utilize the facility Safe City had, as it could be used to apprehend offenders quickly and eventually reduce crime and bylaws infringements. She further stated that no one had been deployed to their station as yet, except that they had been provided with a two-way radio to communicate with the Traffic Unit in case of traffic violations.</p> <p>Endorsed by Committee. Yes</p>
<p>121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality</p>	<p>Review any other information that has been included in regard to the AFS.</p>	<p>N/A</p>
<p>121 (4)(g)(h)</p>	<p>The above applies also to the AFS of municipal entities.</p>	<p>N/A</p>
<p>121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities</p>	<p>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Audit Committee Report – Pg. 91:</p> <ul style="list-style-type: none"> ▪ The effectiveness of Internal Control – The Municipality has acquired the services of a new head of internal audit in the last quarter of the year. The Executive Manager: Internal Audit vacancy remained unfilled for a substantial period of the year. During this ‘vacuum’ our oversight work remained strained. After endeavouring to resolve this impasse internally we communicated the matter to the office of the Auditor-General. ▪ The Auditor General has reported adversely on the state of governance. He reports that the lack of effective oversight

		<p>mechanisms increases the impetus for fraud, errors and misstatements.</p> <ul style="list-style-type: none"> ▪ The Audit committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements. These audited financial statements should be accepted and read together with the report of the Auditor-General. <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. No</p>
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2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	Responses/Comments
<p>123 (1)(a) Allocations received by <u>and</u> made to the municipality</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> ▪ Details of allocations received from another organ of state in the national or provincial sphere. ▪ Details of allocations received from a municipal, entity or another municipality. ▪ Details of allocations made to any other organ of state, another municipality or a municipal entity. ▪ Any other allocation made to the municipality under Section 214(1)(c) of the Constitution. <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</p>	<p>Details of allocations received from another organ of state in the national or provincial sphere received by and made to the municipality have been accurately disclosed. Annual Report Pg. 31, #8 Unspent Conditional Grants and Receipts; Appendix G: Conditional Grants and Receipts as at 30 June 2008; and Details of Conditional Grants and Receipts as at 30 June 2008.</p> <p>Comments by the Oversight Committee:</p> <p>Endorsed by Committee. Yes</p> <ul style="list-style-type: none"> •
<p>121 (1)(b) Allocations received by and made to the municipal entity</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> ▪ Details of allocations received from any municipality or other organ of state. ▪ Details of any allocations made to a municipality or other organ of state. ▪ Other information as may be prescribed. <p>Have these allocations been received and made? Does the audit report</p>	<p>Details of allocations received by and made to the municipality entity have been accurately disclosed. Annual Report Pg. 47.</p> <p>Comments by the Oversight Committee:</p>

	<p>confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</p>	<ul style="list-style-type: none"> • <p>Endorsed by Committee. Yes</p>
<p>121 (1) Information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ▪ the information has been properly disclosed; ▪ conditions of allocations have been met; and ▪ also that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p>Consumer Debtors – Page 35 – 36; Notes to Financial Statements – Pgs. 129 & 130</p> <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. Yes</p>
<p>2. Disclosures - Allocations received and made - Section 123-125 MFMA</p>	<p>Considerations</p>	<p>Responses/Comments</p>
<p>121 (1)(c) Information in relation to the use of allocations received</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> ▪ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. ▪ Information stating whether the municipality has complied with the conditions of the grants, allocations in 	<p>Conditional Grants and Receipts – Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.</p> <ul style="list-style-type: none"> ▪ Unspent Conditional Grants and Receipts Annual Report Pg. 31, #8;

	<p>terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</p> <ul style="list-style-type: none"> ▪ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ▪ the information has been properly disclosed; ▪ conditions of allocations have been met; and ▪ that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<ul style="list-style-type: none"> ▪ Appendix G: Conditional Grants and Receipts as at 30 June 2008; Pg. 68; ▪ Appendix G1: Details of Conditional Grants and Receipts as at 30 June 2008; Pg 69 <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. Yes</p>
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3. Disclosures in notes to AFS	Considerations relating to section 124	Responses/Comments
<p>Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ul style="list-style-type: none"> • salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; • any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; • salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; • contributions for pensions and medical aid; 	<p>Employee Related Costs - Pages 45 - 47 & 137</p> <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. Yes</p>

	<ul style="list-style-type: none"> • travel, motor car, accommodation, subsistence and other allowances; • housing benefits and allowances; • overtime payments; • loans and advances, and; • any other type of benefit or allowance related to staff. <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • that any explanations provided are acceptable. <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	
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4. Municipal Performance	Considerations	Responses/Comments
<p>The annual performance reports of the municipality and entities</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <p>Has the performance report been included in the annual report?</p> <p>Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?</p> <p>Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</p> <p>In terms of key functions or services, how has each performed? Eg. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <p>To what extent has performance achieved targets set by council?</p> <p>Is the council satisfied with the performance levels achieved?</p> <p>Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of</p>	<p>The performances of the Business Units have been included in the annual report including the performance targets set in the Budget and SDBIP.</p> <ul style="list-style-type: none"> • A Municipal Performance Report has been included on Pg. 97 • A Balanced Scorecard for the each of the Strategic Business Units (SBUs) begins on page 98. • Included for each SBU are Key Objectives, Key Performance Indicators (KPIs), Annual Targets, Actual Achievements, Variances and the Reason for the Variances. • Legislated Key Performance Indicators (Provincial) – Pages 116 – 126. <p>Comments by the Oversight Committee:</p>

	<p>public consultation and public hearings? What actions have been taken and planned to improve performance? Is the council satisfied with actions to improve performance? Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory? Council should comment and draw conclusions on information and explanations provided.</p>	<ul style="list-style-type: none"> The issue of performance was discussed at length, committee members expressing concerns querying what was the performance assessed against when the IDP did not have the KPIs. The committee also referred to the management letter which pointed out that the implementation of the performance management system was incomplete <p>Endorsed by Committee: No</p>
Audit reports on performance	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	<p>Report of the Auditor-General: Pg. 89</p> <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> <p>Endorsed by Committee: No</p>
4. Municipal Performance	Considerations	Responses/Comments
Performance of municipal entities and municipal service providers	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officers?</p>	<p>Summary of Key Performance Indicators for the municipal entity – Pg. 84</p> <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> <p>Endorsed by Committee: No</p>

<p>For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality</p>	<p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities.</p> <p>To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP? Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?</p>	<p>Summary of Key Performance Indicators for the municipal entity – Pg. 84</p> <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. No</p>
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5. General information	The following general information is required to be disclosed in the annual report.	Responses/Comments
<p>Relevant information on municipal entities</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.</p>	<p>N/A</p>
<p>The use of any donor funding support</p>	<p>What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Have the objectives been achieved? Has the use of funds been effective in improving services to the community? What actions need to be taken to improve utilisation of the funds?</p>	<p>In-kind Donations and Assistance – Pg. 51.</p> <p>Comments by the Oversight Committee:</p> <p>Endorsed by Committee. Yes</p>
<p>Agreements, contracts and projects under Private-Public-Partnerships</p>	<p>Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.</p>	<p>N/A</p>
<p>Service delivery</p>	<p>This may be a high level summary, in</p>	<ul style="list-style-type: none"> • A Municipal Performance

<p>performance on key services provided</p>	<p>addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	<p>Report has been included on Pg. 97</p> <ul style="list-style-type: none"> • A Balanced Scorecard for the each of the Strategic Business Units (SBUs) begins on page 98. <p>Comments by the Oversight Committee:</p> <ul style="list-style-type: none"> • <p>Endorsed by Committee. No</p>
<p>Information on long-term contracts</p>	<p>Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.</p>	<p>Schedule of External Loans – Pgs. 56 – 58 and 132 - 133</p>
<p>Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations</p>	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	
<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>MIG Programme Annual Report; Report on the Municipal Infrastructure Grant – Pg. 177 - 178</p>

6. Other considerations recommended		Responses/Comments
Timing of reports	<p>Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?</p>	<p>No, Annual Report was tabled 25 2009. A February Annual Report is expected to be adopted on 31 March 2009.</p> <p>Endorsed by Committee.</p>
Oversight committee or other mechanism	<p>What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</p>	
Payment of performance bonuses to municipal officials	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? If so has a proper evaluation of performance been undertaken? Was the evaluation approved by council? Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report? Are the payments justified in terms of performance reported in the annual report?</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	



Msunduzi Municipality
PROVINCE OF KWAZULU-NATAL
KZN225

MEMBERS OF THE PUBLIC ARE CORDIALLY INVITED TO ATTEND MSUNDUZI MUNICIPALITY OVERSIGHT COMMITTEE MEETINGS, AS FOLLOWS:

DATES: WEDNESDAY, 04th MARCH 2009;
WEDNESDAY, 11th MARCH 2009;
WEDNESDAY, 18th MARCH 2009;

TIME: 8:00 AM – 12:00 PM

VENUE: CITY HALL, COUNCIL CHAMBERS

The adoption of the Oversight Report is the final document in the reporting process of a municipality. The Oversight Report is a requirement in terms of Section 129 of the Municipal Finance Management Act (MFMA), and requires the Council to adopt an Oversight Report by 31 March.

A copy of Msunduzi Municipality's Annual Report Will be tabled at the Full Council meeting to be held on Wednesday, 25th February at 14h15 at the Council Chambers. The Annual Report will be made available for public viewing and has been published on the municipality's website www.msunduzi.gov.za Copies will also be made available at:

- Councillors Ward Offices (for collection by all Ward Committee Members)
- Northern Areas: 50 Bombay Road and Truro Centre;
- Imbali Area: F.J. Sithole Building;
- Endendale Area: Old Moses Mabida and New Moses Mabida Centres and Georgetown Library;
- Vulindlela: Department of Education Building: Taylors Halt
- Central: Ashburton Office, Sobantu Office and A.S. Chetty Building

The public is hereby informed that consultation on the Annual Report will convene on 04th March 2009; thereafter the Oversight Report will be developed and recommended to Full Council for adoption.

The public is invited to submit written concerns on the Annual Report to:
Office of the Municipal Manager
Private Bag X321
Pietermaritzburg 3200

Final Date for Submissions:
9 March 2009

uMkhandlu-dolobha waseMsunduzi

iSIFUNDAZWE SAKWAZULU-NATALI

KZN225

**AMALUNGA OMPHAKATHI AYAMENYWA NGOKUZITHOBA UKUBA AHAMBELE
UMHLANGANO WESIGUNGU SEZINGQAPHELI SOMKHANDLU-DOLOBHA,
NGOKOHLELO OLULANDELAYO:**

**IZINSUKU: 04 MASHI 2009, NGOLWESITHATHU;
11 MASHI 2009, NGOLWESITHATHU;
18 MASHI 2009, NGOLWESITHATHU;**

ISIKHATHI: 8:00 ekuseni – 12:00 emini

INDAWO: eCITY HALL, KUMAGUMBI OMKHANDLU

Ukwemukelwa koMbiko weZingqapheli isigaba sokugcina somqulu ngokohlelo lokubika ngokoMkhandlu. uMbiko weZingqapheli ugunyazwa isigaba 129 ngokomyalelo-mthetho ongamele ukuPhathwa kweZimali zoMkhandlu (MFMA), oyalela uMkhandlu-dolobha ukuba umukele uMbiko weZingqapheli ngomhlaka 31 Mashi 2009.

Ikhophi yombiko yoMkhandlu-dolobha yoNyaka izokwethulwa emhlanganywe woMkhandlu-dolobha ozobanjwa ngoLwesithathu, ngomhlaka 25 February 2009 ngesikhathi sehora lesibili nesigamu (14h15) emaGumbini oMkhandlu. uMbiko woNyaka uzotholakala izikhungweni zomphakathi futhi usushicilelwe kwi-website yoMkhandlu: www.msunduzi.gov.za Amakhophi azotholakala kulezindawo izilandelayo:

- eMahovisi amaKhansela eziGceme(alandwe amalunga iziGceme)
- Izindawo eziseNyakatho: 50 Bombay Road and Truro Centre;
- eMbali: F.J. Sithole Building;
- EyiDeni: Old Moses Mabhida and New Moses Mabhida Centres and Georgetown Library;
- KwaVulindlela: Department of Education Building: Taylors Halt
- eNkabeni-dolobha: Ashburton Office, Sobantu Office and A.S. Chetty Building

Umphakathi uyaziswa ukuthi umhlangano wokushiyelana ngoMbiko woNyaka uyobanjwa ngomhlaka 04 Mashi 2009; emvakwalokho uMbiko weZingqapheli uyochibiyelwa bese unconyelwa ukwemukelwa uMkhandlu-dolobha.

Umphakathi uyamenywa ukuthi ulethe izithulo ngokoMbiko woNyaka zilethwe ku:

iHovisi loMphathi-dolobha

Private Bag X321

Pietermaritzburg 3200

Usuku lokuGcina leZithulo:

9 Mashi 2009

NOTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN **COUNCIL CHAMBER, CITY HALL,**
ON **MONDAY, 16 FEBRUARY 2009 AT 08:00.**

PRESENT: Councillors Baijoo (Chairperson), Majola, Seymour and Thebolla and Messrs MP Moya and VDP Wilson and Ms R Khoza,

ABSENT: Councillor Duze.

OFFICIALS

PRESENT: Mesdames M Thompson (Financial Advisor), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and N Sikhakhane (Committee Officer).

APPLICATIONS FOR LEAVE FROM CURRENT MEETING OF THE OVERSIGHT COMMITTEE

The Chairperson welcomed all present. He tendered an apology on behalf of Ms Khoza who would be joining the meeting later. Councillor Seymour requested permission to leave at 10:00. No applications for leave were received.


The Chairperson advised that the current meeting would not be considered official since it was not advertised as required legislatively and that the Municipal Manager was unable to attend due to prior commitment. He then added that the purpose was to compile the calendar of the committee's meetings.

BRIEF OVERVIEW

The Financial Advisor went through the important areas of the oversight process. She defined the Oversight report, differentiating it from the financial report. She highlighted the structure and the content of the Oversight report. She pointed out that no officials were to sit at Oversight Committee meetings but could be available to offer guidance to the committee when required.

It was mentioned that, over and above the advert to be placed on local newspapers, the circular advising community members about the Oversight Committee meetings would be distributed to all thirty seven (37) ward committees. A concern was expressed regarding the availability of the financial report in languages understood by the public. The members emphasized the importance of opening opportunities encouraging participation of the public so that they become active stakeholders in council activities. It was also felt that the possible involvement of Financial Consultants to simplify the financial report could be an added value for the efficient oversight process.

The issue of the time constraints was raised but the Manager: Office of the Municipal Manager undertook to liaise with service providers immediately after the meeting to see if the



financial report could not be translated as requested before the dates of its availability to the public.

The committee queried the absence of the annual performance agreements in the financial report and whether they had been audited. It was proposed that a written request would be submitted to the Municipal Manager for him to respond to the Oversight Committee.

DATES OF OVERSIGHT COMMITTEE MEETINGS

It was stated that the first meeting of the committee would be held on Wednesday, 04 March 2009 and other meetings on the three following Wednesdays thereafter. It was also agreed that the circular to all wards be sent even before the Oversight report has been submitted to the Full Council in order to allow public members to have sufficient time to go through it.

[At this point of the proceedings (09:00), Ms R Khoza joined the meeting].

The Chairperson undertook to meet with the Speaker to advise him of the timeframes and the involvement of the ward committees in the oversight process.

It was also pointed out that the Auditor-General and Audit Committee team would be invited to attend the second meeting of the Oversight Committee.

The issue of training of the members was raised to ensure that the oversight process was efficiently undertaken. It was then agreed that an oversight process briefing session where ward councillors and other stakeholders would be invited to attend was going to take place on Friday, 27 February 2008 from 09:00 – 12:00.

The meeting terminated at 09:20.

NOTED

CHAIRPERSON

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN **COUNCIL CHAMBER, CITY HALL,**
ON **WEDNESDAY, 04 MARCH 2009 AT 08:30.**

PRESENT: Councillors Baijoo (Chairperson), Majola, Seymour and Thebolla and Messrs MP Moya and VDP Wilson and Ms R Khoza.

ABSENT: Councillor Duze.

OTHERS

PRESENT: Messrs S Sivenarain (Senior Manager: Auditor-General's Office), N Majola (Director: Pietermaritzburg Business Chamber) and Ms. W Anderson (Audit Manager: Auditor-General's Office).

OFFICIALS

PRESENT: Messrs R Haswell JP (Municipal Manager) and R Bridgemohan (Deputy Municipal Manager: Finance) and Mesdames M Thompson (Financial Advisor), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and N Sikhakhane (Committee Officer).

1. **APPLICATIONS FOR LEAVE FROM CURRENT MEETING OF THE OVERSIGHT COMMITTEE**

The Chairperson welcomed all present. He then acknowledged the presence of the delegation from the Auditor-General's Office and welcomed them. He apologized for the slight delay due to the newly installed sound system.

No applications for leave were received. The Municipal Manager advised that the Deputy Municipal Manager: Finance would be joining the meeting late.

2. **CONFIRMATION OF MINUTES**

Minutes of the meeting held on 18 April 2008.

(Page 1 of agenda).

It was

RESOLVED

That the minutes of the Oversight Committee meeting held on 18 April 2008 be and are confirmed.

3. **NOTES OF THE OVERSIGHT COMMITTEE**

Notes of the meeting held on 16 February 2009.

(Page 4 of agenda).

NOTED.

4. **RECOMMENDATIONS BY OVERSIGHT : 2006/07 ANNUAL REPORT**

(Raised verbally).

The Chairperson referred to the recommendations made in respect of the 2006/07 annual report and requested the Municipal Manager to advise the committee on whether any steps had been taken to implement them.

The Municipal Manager firstly apologized for being unable to attend the previous meeting of the Oversight Committee. He then welcomed and thanked everyone who had participated in the oversight process and in particular the assistance provided by the Auditor-General's Office.

He stated that progress had been made in resolving the concerns raised as reservations by the Oversight Committee. He added that management was in the process of finalizing the tool to deal with performance management and further details would be made available the following week.

He acknowledged and apologized that the 2007/08 annual report was not tabled at the January 2009 Full Council meeting which did not take place. He pointed out that at times it becomes difficult to comply fully because of a number of submissions required in terms of legislation within almost same timeframe.

It was noted with concern that the annual report was not tabled at the last Full Council meeting in December 2008 and that the training of ward committee members on the annual report had not taken place to ensure that proper public participation takes place as per the Oversight Report recommendations the previous year. The Chairperson further emphasized the importance of encouraging the public to participate in the Council's activities as legislated.

After discussions the Municipal Manager and the Manager: Office of the Municipal Manager undertook to arrange for the training of the ward committees and councilors and it was later confirmed that it would be scheduled for Friday, 06 March 2009.

5. **PROCESS OUTLINE**

(Raised verbally).

The Financial Advisor advised that the deadline for tabling the annual report to the Full Council was 31st January of the year.

She then highlighted the key areas that should be looked at when considering an annual report. She also listed the reports to be looked at, in conjunction with the annual report.

6. FINANCIAL STATEMENTS

The Deputy Municipal Manager: Finance stated that there was a noted improvement in the current financial performance of the Council when compared to the previous year, referring to the net assets and liabilities, total revenues, cash flow statements and operating surplus/deficit.

7. AUDITOR-GENERAL'S REPORT

The Senior Manager: Auditor-General pointed out that there were errors noted in the Auditor-General's report included in the annual report. He also pointed out that there was no Auditor-General's signature at the end of the report; i.e. page 90. It was requested that the following errors on page 87 be rectified:-

- That the words *„ammendments'* and *„defiation'* under item „Emphasis of Matter“ be amended to read as *„amendments'* and *„deviation'* respectively.
- That the word *„od'* at end of the first paragraph under item „Amendments to the basis of Accounting“ be replaced by *„of'*.
- That the word, *‘governerment'* be amended to read as *‘government'*.
- That *„14'* be inserted at the beginning of the paragraph under the item „Local Government: Municipal Planning and Performance Management Regulations, 2001“.

Responding to the comment made by the Deputy Municipal Manager: Finance, he stated that there was no misconception between the municipality and the Auditor-General regarding the restatement of corresponding figures and explained why he believed so.

The Manager: Office of the Municipal Manager acknowledged and apologized for the errors in the Auditor-General's report. The Municipal Manager undertook to issue an „erratum“ to replace the Auditor-General's report in the annual report as it was not possible to reprint the annual report.

The Senior Manager: Auditor-General made comments on emphasis of matter, other matters, non-compliance with applicable legislation, matters of governance and inconsistent measurable objectives, adding these could lead to qualifications if they were not addressed in the next financial year. He then emphasized the importance of taking the alignment of Key Performance Indicators (KPI's), Service Delivery Business Implementation Plans (SDBIPs), strategic planning and the annual report seriously in order to prevent a qualified audit.

During the discussion the comment by the Audit Committee under item „the quality of management and monthly/ quarterly reports“ was noted with concern. The committee also expressed concerns with regards to the comment of the Auditor-General where it was pointed out that the Audit Committee was unable to substantially fulfill its responsibilities for the year under consideration as set out in section 166 (2) of the Municipal Finance Management Act.

8. **THE MUNICIPAL MANAGER'S RESPONSE**

The Municipal Manager led the committee through his report, highlighting the steps that had been taken to address concerns raised in the Auditor-General's report. He added that the risk management policy and fraud prevention plan would be considered at the Full Council meeting and the overtime action plan had also been formulated to monitor and curb excessive overtime. He mentioned the issue of VIP protection service and vacant posts as some of the causes of overtime.

He advised that he had issued forms to councillors and urged them to declare their interests a number of times. He further advised that the Internal Audit Unit was functioning as it should with the appointment of its Executive Manager. He also stated that follow up steps on forensic investigations were in progress and hopefully a number of issues would be resolved during the current year.

The Chairperson thanked the Auditor-General's delegation for attending the current meeting and the cooperation offered in terms of assisting the committee so as to engage efficiently in the oversight process.

[At this point of the proceedings (10:05) the Committee adjourned for tea and reconvened at 10:25].

9. **OVERSIGHT PROCESS CHECKLIST**

The Financial Advisor led the committee through the oversight process checklist with a view to drafting the oversight report.


The issue of declaration of interests by some councillors was briefly discussed as a matter of concern. It was stated that councillors should abide by the code of conduct, failing which applicable disciplinary actions be taken in respect of those councillors who still would not disclose.

After discussions, it was

RESOLVED

(a) That the following be finalized at the next Oversight Committee meeting:-

- The Auditor-General's report as the current copy was not signed.
- Audit Committee's comments.
- Assessment of the budget with regards to the performance objectives for revenue from each source and for each vote in the budget taking into account the IDP.
- Performance agreement in relation to the municipal entities.
- Information relating to benefits paid by council and entity to councillors, directors and officials as the performance management agreements were still to be finalized; it being noted that an action plan to reduce and monitor overtime was being formulated.
- All performance related issues pending thorough study of the budget against SDBIPS, KPAs, actual achievements, variances and reasons there for.
- Information technology and system purchases.



(b) That progress in the following areas be noted:-

- Measures taken to comply with GRAAP in terms of accounting standards.
- Action plan for the collection of debts owed to council and reduction of traffic fines.
- The appointment of the Executive Manager: Internal Audit.

The Chairperson then urged committee members to go through the Service Delivery Business Implementation Plans, Performance Management Agreements and Key Performance Indicators before the next meeting took place.

He then extended the invitation to the Pietermaritzburg Chamber of Business for the briefing session scheduled to take place on Friday, 06 March 2009.

The meeting terminated at 11:55.

CONFIRMED.

CHAIRPERSON.

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN **COUNCIL CHAMBER, CITY HALL,**
ON **WEDNESDAY, 06 MARCH 2009 AT 08:30.**

PRESENT: Councillors Baijoo (Chairperson), Majola and Thebolla and Messrs MP Moya and VDP Wilson and Ms R Khoza.

ABSENT: Councillors Duze and Seymour.

OTHERS

PRESENT: Councillors MK Chetty, M Mchunu, ZH Magubane, JEP Green, M Ngcobo, SA Mkhize, R Ashe, RB Mazibuko, FN Mbatha, BP Shozi, MB Mkhize and Messrs S Hadebe and H Ndlovu (Ward 9), S Bhengu (Ward 8), L Vezi, S Cebekhulu (Ward 4), B Mkhize (Ward 6), S Ndlovu (Ward 6), B Nhlangothi (Ward 3), N Gwala (Ward 3), Z Magubane (Ward 9), M Ngcobo (Ward 6), S Ndlovu (Ward 16), S Zondi (Ward 4), Z Buthelezi (Ward 9), N Zondi (Ward 1), P Sithole (Ward 17), N Sithole (Ward 15), S Mlaba (Ward 15), S Ndlovu (Ward 16), N Mncwabe (Ward 4), P Makhathini (Ward 2) and N Mtolo (Ward 21).

OFFICIALS

PRESENT: Mr. Madlala (Intern) and Mesdames M Thompson (Financial Advisor), M Jackson-Plaatjies (Manager: Office of the Municipal Manager), N Sikhakhane (Committee Officer) and Z Mkhize (Assistant Committee Officer).

10. WELCOME AND APOLOGIES


The Chairperson welcomed all present. He thanked all delegates for responding to the invitation and apologized for the short notice.

Apologies were tendered on behalf of Councillors Duze, Dladla, Lyne, Lawrence, Steele, Mkhize, Ntombela, McArthur, Lushozi and Zuma due to prior commitments. Councillor Mchunu and Mr. N Majola (Pietermaritzburg Chamber of Business) requested permission to leave at 12:00 and 10:20 respectively.

The Chairperson requested delegates to introduce themselves. He thanked the Financial Advisor and the Manager: Office of the Municipal Manager for the assistance they offered to the Oversight Committee the previous year and that they still continued doing so currently.

11. PURPOSE OF THE SESSION

The then gave a brief background on the oversight process and the establishment of the Oversight Committee. He highlighted the role to be played by the Ward Committees and the community at large in respect of the public participation processes in all council activities including the budget process. He highlighted the Service Delivery Business Implementation Plan (SDBIPS), Key Performance Areas and Indicators. He defined the Integrated Development Plan (IDP) adding that it informed the budget.



He emphasized the importance of taking part in the activities of council. He then advised the delegates that they would be required to submit comments after interrogating the annual report.

12. **PRESENTATION ON OVERSIGHT PROCESS**

The Financial Advisor gave background on the Municipal Financial Management Act (MFMA) and Municipal Systems Act, advising that these insisted on a direct link between the:-

- Strategic Goals set by Council
- Integrated Development Plan
- Budget
- Delivery as set out in the Service Delivery Business Implementation Plan
- Annual Report.

She explained the role and responsibilities of the Oversight Committee and the rationale behind the oversight process. She then highlighted the key areas that should be looked at when considering an annual report. She also listed the reports to be looked at, in conjunction with the annual report.

She defined the Annual Report with much emphasis on it being the record of municipality activities and that it could be used to gauge the performance of the municipality. She brought to the attention of the delegates that when assessing performance, it should be of the whole organization and not of individual managers as that was the task of the Municipal Manager.

She defined the Oversight report, differentiating it from the financial report. She highlighted the structure and the content of the Oversight report.

The meeting terminated at 10:35.

CONFIRMED.

CHAIRPERSON.

MINUTES OF THE OVERSIGHT COMMITTEE

**MEETING HELD IN COUNCIL CHAMBER, CITY HALL,
ON WEDNESDAY, 11 MARCH 2009 AT 08:30.**

PRESENT: Councillors Bajoo (Chairperson), Majola and Thebolla and Mr. VDP Wilson and Ms R Khoza.

ABSENT: Mr. Moya.

OTHERS

PRESENT: Councillors SN Naidoo and I Ngubane and Ward Committee members:- B Mkhize (Ward 6), N Sithole (Ward 15), S Mlaba (Ward 15), N Mncwabe (Ward 4), N Mtolo (Ward 21), P Sithole (Ward 17), S Ndlovu (Ward 16) and N Mkhize (Ward 16).

OFFICIALS

PRESENT: Mr. R Haswell JP (Municipal Manager) and Mesdames M Thompson (Financial Advisor), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and N Sikhakhane (Committee Officer).

13. APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING

The Chairperson welcomed all present and thanked the members of ward committees for attending the current meeting. He apologized for the delay in starting the meeting.

He complimented the management team and officials for their hard work in ensuring that the committee received documents timeously. Apologies were tendered on behalf of Councillors ZH Magubane (ward commitment), TD Ntombela (party meeting), SR Ntuli (ward commitment) and BE Zuma (party meeting).

The Chairperson advised that the Municipal Manager had requested to be excused for not sitting throughout the meeting but could be called in as and when necessary as he was preparing a report for the Special Full Council meeting scheduled for the afternoon.

14. CONFIRMATION OF MINUTES

Minutes of the meeting held on 04 March 2009.

(Page 1 of agenda).

It was

RESOLVED

That the minutes of the Oversight Committee meeting held on Wednesday, 04 March be and are confirmed.

15. **COMMENTS ON THE 2007/2008 AUDIT REPORT BY THE CHAIRPERSON OF THE AUDIT COMMITTEE**

(Item 3 of agenda).

The non attendance at the current Oversight Committee meeting by the Audit Committee was noted with concern as they were invited well in advance and did not show the courtesy of responding to the invitation. Concerns were expressed regarding the performance of the Audit Committee, referring to the comments by the Auditor-General that it did not fulfill its responsibilities for the year as set out in section 165(2) of the Municipal Finance Management Act (MFMA). It was pointed out that the Auditor-General's report had indicated that the inability of the Audit Committee to substantially fulfill its obligations could lead to a qualified audit.

[At this point of the proceedings, the Financial Advisor tendered an apology on behalf of Safe City advising that their delegation would join the meeting at 10:00; item 4 of agenda was then deferred for discussion on the arrival of Safe City).

After discussions, it was

RESOLVED

That the Audit Committee be invited to the next Oversight Committee meeting to be held on Wednesday, 18 March 2009.

16. **2007/2008 MANAGEMENT LETTER**

(Item 5 of agenda).

The Chairperson suggested that the deficiencies in the performance of the municipality as indicated in the management letter be identified; where after the committee advises and recommends to council accordingly. He expressed concern regarding the auditing of the council performance, stating that since the Audit Committee was unable to perform its duties diligently, it would mean council performance would still be unaudited for the current financial year.

The committee discussed the issues raised by the Auditor-General in the management letter with much emphasis on the implementation of the performance management system with links to the key performance indicators and the Integrated Development Plan.

17. **ANNUAL REPORT CHECKLIST**

(Item 7 of agenda)

This item was discussed in conjunction with item 6 of agenda.

The Financial Advisor led the committee through the checklist highlighting the comments and responses in the annual report.

The Municipal Manager thanked the committee for understanding that he was unable to sit in the meeting as he was preparing for the Special Full Council.

The Municipal Manager advised and confirmed that the municipality had a performance management system. He added that the employment contracts of the Deputy Municipal Managers" were performance based. He acknowledged that council did not comply in all areas and that there was a lot which still needed to be done to improve performance.

He advised that a Balanced Scorecard system was adopted and had incorporated the five (5) Key Performance Areas (KPA's) as identified by the National and Provincial governments. He then led the committee through the Balanced Scorecard. He mentioned that his and the Deputy Municipal Manager: Finance"s performance had not been assessed as the Evaluation Committee had not been established as yet, hence no bonuses would be paid to them until this had been dealt with. He added that the Evaluation Committee had to, amongst other members, include an external Mayor, an external Municipal Manager and Audit Committee members. He advised that in terms of the current performance agreements, the incumbent could receive a bonus which was not more than 15% of the total package.

[At this point of the proceedings (10:10), the committee adjourned for tea and reconvened at 10:30]

[The Chairperson advised the committee that he had just received a short message service (sms) from Mr. Moya advising that he was unable to attend the current committee meeting].

The Municipal Manager confirmed that the current performance agreements were aligned to the KPA's and the Service Delivery Business Implementation Plans.

It was suggested that, in future, the Balanced Scorecard had to incorporate the budget indicating targets, outcomes and the amount allocated to each project.

Taking into cognizance that it was work in progress, the committee was nevertheless disappointed to learn that the commitment by the Municipal Manager to have the performance audited for the 2007/2008 financial was never undertaken. It was emphasized that it was crucial that the gaps identified be addressed as a matter of urgency as they could lead to a qualified audit and that the internal audit unit should be capacitated in terms of resources.

Responding to the issue of the public perception regarding council performance, the Municipal Manager advised that the Corporate Services business unit would be embarking on the customer survey.

The issue of performance was discussed at length, committee members expressing concerns querying what was the performance assessed against when the IDP did not have the KPI's. The committee also referred to the management letter which pointed out that the implementation of the performance management system was incomplete.

The committee went through the checklist with a view to drafting the oversight report.

[At this point of the proceedings, it was noted that the Safe City was no longer going to join the meeting as stated earlier. The committee members requested that they be invited to attend the next Oversight meeting scheduled to take place on Wednesday, 18 March 2009].

After discussions, it was

RESOLVED

(a) That the following items as per Annexure B (Annual Report Checklist – 2007/2008) not be endorsed because the performance had not been audited; over and above the fact that the Audit Committee did not perform its duties as set out in section 165(2) of MFMA:-

- The financial statements in relation to the accounting standards.
- Assessment by the Accounting Officer against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.
- Assessment by the municipal entity's Accounting Officer of the entity's performance against any measurable objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality.
- The annual performance reports of the municipality and entities.
- Audit reports on performance.
- Service delivery performance on key services provided.

(b) That a written request be submitted to the Municipal Manager enquiring about the Information Technology and systems purchases for discussion at the next Oversight Committee meeting.

(c) That the item on performance of municipal entities and municipal services providers be deferred for discussion at the next meeting.

18. **COMMENTS BY THE WARD COMMITTEE MEMBERS**

(Raised verbally).

Responding to the Chairperson's invitation of comments by the ward committee members, they requested that council involve them more often in its activities to enable them to familiarize themselves with the council policies and procedures. The issue of training on the annual report in order to participate effectively was also raised as the members considered it as a highly technical document.

The Chairperson assured them of the council's support in moving forward and advised that the issue of training, increased circulation of the annual report and its availability in Zulu were amongst the recommendations made by the committee the previous year. He once again thanked them for attending the meeting, adding that the committee would be expecting written comments from them.

It was confirmed that an advertisement inviting comments had been sent out and no comments had been received as yet.

Responding to the proposal of Oversight Committee quarterly meetings, the Chairperson stated that once the Audit Unit and Audit Committee functioned as set out in the legislation, the gaps identified would be addressed. He also stated that this committee would have to report its findings to the Oversight Committee to be established as the term of the current committee would expire at the end of the financial year.

The meeting terminated at 11:55.

CONFIRMED

CHAIRPERSON

MSUNDUZI MUNICIPALITY

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN **COUNCIL CHAMBER, CITY HALL,**
ON **WEDNESDAY, 18 MARCH 2009 AT 08:30.**

PRESENT: Councillors Baijoo (Chairperson), Majola and Thebolla and Messrs. VDP Wilson and M Moya.

ABSENT: Councillor Duze and Ms R Khoza.

OTHERS

PRESENT: Mr A Jordan (Chairperson: Audit Committee) and Ms N Bhika (Chief Executive Officer: Safe City [PMB]) and Ward Committee members: - N Sithole (Ward 15), S Mlaba (Ward 15), S Ndlovu (Ward 16) and N Mkhize (Ward 16).

OFFICIALS

PRESENT: Mesdames M Thompson (Financial Advisor), M Jackson-Plaatjies (Manager: Office of the Municipal Manager) and N Sikhakhane (Committee Officer).

19. **APPLICATIONS FOR LEAVE FROM THE CURRENT MEETING**

The Chairperson welcomed all present, in particular the Chairperson of the Audit Committee and the Chief Executive Officer: Safe City. He then thanked the members of ward committees for attending the current meeting. He also thanked the officials for efficiency during the oversight process. An apology was tendered on behalf of Ms Khoza who was unable to attend the current Oversight Committee meeting.

20. **CONFIRMATION OF MINUTES**

Minutes of the meeting held on 06 March 2009.

(Page 1 of agenda).

It was

RESOLVED

That the minutes of the Oversight Committee meeting held on Friday, 06 March 2009 be and are confirmed subject to the following amendment:-

That the word 'Chairperson' be added after 'The' in the first sentence of the first paragraph under item 2.

21. **CONFIRMATION OF MINUTES**

Minutes of the meeting held on 11 March 2009.

(Page 3 of agenda).

It was

RESOLVED

That the minutes of the Oversight Committee meeting held on Wednesday, 11 March 2009 be and are confirmed.

22. **COMMENTS ON THE 2007/2008 AUDIT REPORT BY THE CHAIRPERSON OF THE AUDIT COMMITTEE.**

(Item 4 of agenda).

The Chairperson of the Audit Committee highlighted the challenges the committee faced during the past months. He advised that the details of their frustration were expressed in depth in the minutes of the Audit Committee. He further stated that the non-replacement of the Executive Manager: Internal Audit had resulted in their recommendations not being implemented. He added that he had consulted the Municipal Manager a number of times advising him of the need to fill the post even on an acting capacity/basis until it was filled, but with no success. He pointed out that it was then not possible for the committee to function efficiently in the absence of the Head of the Internal Audit Unit as their oversight role was determined and relied so much on the functioning of this unit.

He also referred to the committee's reporting procedure where the minutes were forwarded to the Executive Committee and noted only but the recommendations were not enforced and consequently no implementation would take place. He advised that the committee took a decision to compile the minutes as a quarterly report to be presented to council so that the recommendations were approved and implemented.

He mentioned that the Audit Committee had a series of private / unofficial meetings outside council to investigate possible ways to resolve some of the challenges they encountered. He advised that the committee took a decision to submit a letter to the Auditor-General advising about the absence of the Head of the Internal Audit Unit and other challenges they faced; hoping that Auditor-General would intervene, which never happened.

He raised concerns regarding the issue of the forensic investigations that had taken place. He stated that they requested to be furnished with the information with the view to strengthen the risk and fraud strategy but did not receive any because it was said to be confidential. It was pointed out that the Internal Audit Unit was under-capacitated and had no budget to implement approved programmes and policies.

He acknowledged the comments by the Auditor-General that the Audit Committee did not fulfill its responsibilities for the year as set out in Section 165(2) of the Municipal Finance Management Act (MFMA), stating the lack of cooperation from management as the cause.

It was noted with concern that the Chairperson of the Audit Committee was not invited to attend the Full Council meeting where the office of the Auditor-General presented its report.

NOTED.

[After discussions, the Chairperson of the Audit Committee left the meeting].

23. **COMMENTS ON THE 2007/2008 AUDIT REPORT FOR SAFE CITY**

(Item 5 of agenda).

The Chief Executive Officer: Safe City (Pietermaritzburg) invited the Oversight Committee to visit the Safe City control room in order to familiarize them with the daily operations of the organization. She then explained what was meant by petty crime. She advised that the core function of Safe City was crime prevention and that they had no competency in prosecution. She added that they had invited the Council Traffic unit to utilize the facility Safe City had, as it could be used to apprehend offenders quickly and eventually reduce crime and bylaws infringements. She further stated that no one had been deployed to their station as yet, except that they had been provided with a two-way radio to communicate with the Traffic Unit in case of traffic violations.

She advised of the challenges experienced when their budget was frozen. She expressed concern regarding the representative of council that was supposed to be serving in the Safe City board but had never been appointed up to this stage.

After advising that Safe City operations were vetted by the South African Bureau of Standards (SABS), the committee complimented Safe City for their audited report.

The Chairperson gave a brief background on the establishment of Safe City and stated that partnership had not been established between all stakeholders, viz businesses, provincial government and council. He added that the intended partnership needed to be strengthened further.

NOTED.

[At this point of the proceedings (10:00), the committee adjourned for tea and reconvened at 10:20].

24. **ANNUAL REPORT DEFICIENCIES AND REVIEW OF THE ANNUAL REPORT CHECKLIST**

(Item 6 and 7 of agenda).

The committee went through the annual report checklist and at the same time identifying the deficiencies to be highlighted in the Oversight Committee report.

NOTED.

25. **DRAFT OVERSIGHT COMMITTEE REPORT**

(Item 8 of agenda).

The committee went through the draft Oversight Committee Report adding new proposed amendments. The committee members expressed satisfaction that certain Ward Committee members participated in the current oversight process.

The Ward Committee members expressed concerns regarding serious lack of cooperation and support from the management in the Office of the Speaker. It was also pointed out that the Office of the Speaker did not communicate with them in a proper manner and that had led to communities believing that they were failing to fulfill their responsibilities as ward committee members. They referred to some of the projects that were initiated with communities but never took off and no report back was done.

It was requested that the concerns raised by the Chairperson of the Audit Committee and the Ward Committee members be included in the report. The committee felt that it was important that the Key Performance Indicators (KPIs) in the functioning of the Ward Committee members be developed and be closely monitored. It was also suggested that a comprehensive report on the functioning of the Ward Committees be submitted to council so as to gauge their effectiveness in communities and come up with strategies to strengthen any weaknesses that were identified.

It was

RESOLVED

That the following be added in the recommendations of the Oversight Committee Report:-


- (a) That the concerns expressed by the Audit Committee Chairperson and Ward Committee members be noted; and appropriate action be taken to address these concerns.
- (b) That a strategy to strengthen the functioning of the Ward Committees be developed; it being noted that Key Performance Indicators (KPIs) in their contracts had to be developed and monitored closely.
- (c) That a comprehensive report on the functioning of the Ward Committees be submitted to Council so as to gauge their effectiveness in communities with a view to improve any deficiencies identified.

The Chairperson thanked the Ward Committee members for their attendance and contribution during the oversight process. He encouraged them to participate actively in the Council activities and urged them to encourage other Ward Committee members to do the same. He again thanked the officials for their efficiency and for being proactive in ensuring that the compilation of the Oversight Report was successful and done in time.

Councillor Seymour complimented the Chairperson for chairing the Oversight Committee meetings efficiently and the Chairperson, in return, thanked the members of the committee, stating that their commitment to the task was appreciated and had not gone unnoticed.

After meeting note:-

An apology from the Office of the Auditor-General was received, stating that they were unable to attend the Oversight Committee meeting as it coincided with their scheduled meeting.



The meeting terminated at 11:30.

CONFIRMED.

CHAIRPERSON.