

CITY OF CHOICE



**PIETERMARITZBURG
MSUNDUZI**

COUNCIL OVERSIGHT REPORT
2008/2009 FINANCIAL YEAR

Msunduzi Municipality Council Oversight Committee

Councillors:

Chairperson of the Oversight Committee: Councillor M Thebolla

Council Members: Councillor SC Gabela
Councillor S Mkhize
Councillor SJ Seymour
Councillor D Ryder

Community Representatives: R Khoza
B Mshengu
E Sithole

Technical Support Provided by: M. Jackson-Plaatjies
(Manager: Office of the
Municipal Manager)
Mthokozisi Madlala
(Research Assistant)
B Duze (Committee Officer)

Table of Contents

1. 2008/2009 OVERSIGHT REPORT	4
2. ANNEXURE A – ANNUAL REPORT CHECKLIST.....	12
3. ANNEXURE ‘B1’ – PUBLIC NOTICE (ENGLISH).....	23
4. ANNEXURE ‘B2 ‘– PUBLIC NOTICE (ZULU).....	24
5. 01st March 2010 – MINUTES OF THE OVERSIGHT COMMITTEE.....	25
6. 05th MARCH 2010 – MINUTES OF THE OVERSIGHT COMMITTEE.....	29
7. 16th April 2010 – MINUTES OF THE OVERSIGHT COMMITTEE.....	32
8. 23rd April 2010 – MINUTES OF THE OVERSIGHT COMMITTEE.....	37
9. QUESTIONNAIRE- DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS.....	42

THE OVERSIGHT REPORT CONSIDERING THE 2008/2009 ANNUAL REPORT OF THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

Dated: 23rd April 2010

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, Service Delivery and Budget Implementation Plans (SDBIPs), Integrated Development Plan (IDP), Budget and other supporting planning documents.

- 2.1. During a Council Meeting on 28th January 2010, the Council of Msunduzi Municipality accepted and noted the 2008/2009 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 2010.
- 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 Cooperative Governance and Traditional Affairs (COGTA).
- 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 table indicates processes that should be completed:

PROCESS	COMPLETED
Preparation of annual financial statements of the municipality and submission thereof to the Auditor-General {Section 122 (1) and (2) of the MFMA}	Yes
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).	<ul style="list-style-type: none"> Limited. Still challenges in terms of getting quarterly reports from Strategic Business Units. Reports not submitted to Council.
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").	<ul style="list-style-type: none"> Yes. Concerns with regards to PMS have been outlined in the report of the Auditor General 2008/ 2009.
Receipt of final report from AG and corrective action taken. Sections 126 (3)(b) & 121 (3)(g) of the MFMA.	<ul style="list-style-type: none"> Yes, report received from Auditor General. Plan on corrective action has been presented, but lacks details.
Discussion of Annual Report to Audit Committee: Section 121 (3)(j) of the MFMA.	Annual Report has not been presented to the Audit Committee.
Receipt & Tabling of Annual Report to Council by Mayor: Section 127 (2) of the MFMA.	Yes, Full Council meeting held on 28 th January 2010.
Consideration and adoption of Annual Report and development of Oversight Report to Full Council.	Currently in process.
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: COGTA	On adoption of the Oversight Report
Communication of final Annual Report; i.e. website, hard copies, etc.	On adoption of the Oversight Report

3. OVERSIGHT REPORT

3.1 This oversight report must be read in the context of the current state-of-affairs in the Municipality, that is, the proclamation of S139(b) of the Constitution.

3.2 Due to the above, although the Oversight process had been scheduled to be completed in compliance with legislative deadlines, a moratorium on all Committee meetings for approximately 3 weeks has resulted in a delay of one month in terms of the completion and submission of the Oversight Report.

3.3 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.

3.4 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.

3.5 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.

3.6 The Annual Report was tabled in Full Council on 28th January 2010. 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 (ABM) 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

3.7 The minutes of all meetings where the Msunduzi Municipality's Annual Report are attached:

- (a) Oversight Committee Meeting – 01st March 2010 (*annexure „C”*)
- (b) Oversight Committee Meeting – 05th March 2010 (*annexure „D”*)
- (c) Oversight Committee Meeting – 16th April 2010 (*annexure „E”*)
- (d) Oversight Committee Meeting – 23rd April 2010 (*annexure „F”*)

3.8 Public Consultation;

3.8.1 An advertisement in Zulu and English was published to invite, receive and consider written submissions, on the Annual Report, with public submissions to be submitted to the Office of the Municipal Manager (refer annexure „B1“ & „B2“). No comments were received from the community. In addition, the advert contained the dates, venue and times of the Oversight Committee meetings.

3.8.2 Due to financial constraints, a public hearing, utilizing ward committee members, was not feasible.

3.8.3 The Auditor General was invited to and attended all meetings of the Oversight Committee.

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 arising out of discussions at meetings of the Oversight Committee, including responses by the Msunduzi Municipality's Management.

4.1. Office of the Auditor General:

4.1.1. Refer Report of the Auditor General, page 136-135 of Annual Report 2008/2009

4.1.2. Refer minutes, 05th March, 2010 page 28 (annexure „D“)

4.1.3. Extract from minutes:

“The need to take matters reported by the Auditor General into consideration was stressed. It was explained that various matters could drive an audit report not to be clean, viz. Non-compliance, material adjustments, internal control, audit performance information, organizational performance, etc.

It was pointed out that the Internal Auditor should review the system of internal controls and monitoring. It was highlighted that the system of controls within the Municipality was failing and weak. A statement was made that there was late intervention by the Municipal Manager to try and resolve matters raised by the Auditor General.

The Manager: Auditor General further explained that the issue of non-compliance was caused by excessive overtime paid and councillors who did not declare business interests.”

4.1.4. In addition, the Auditor General representative stressed the variety of problematic findings related to information pertaining to the Performance Management System. He advised that an opinion on performance related information will be issued as a phased-in approach in the future.

4.1.5. Members were also advised that Municipal SCOPA should be in operation.

4.2. 2008/2009 Annual Financial Statements.

- 4.2.1. Refer Annual Financial Statements, page 11-135 of Annual Report 2008/2009
- 4.2.2. Refer minutes, 05th March, 2010, pages 29 (annexure „D“)
- 4.2.3. Refer minutes, 16th April, 2010, page 32 (annexure „E“)
- 4.2.4. Extract from minutes:

“The Manager: Financial Services explained that the exemption that was received from GRAP was applicable for two financial years. With regard to overtime costs, it was stated that the costs were due to shortage of staff and the cause was the lack of controls within various business units.

In response to a query raised with regard to the collection of revenue, it was mentioned that the National Treasury had deployed an individual to assist in collecting revenue and reviewing the credit control policy.”

- 4.2.5. In addition, Committee was informed that the Control Transformation Steering Committee (CTSC) was established by the former Municipal Manager in order to deal with the issues raised in the Report of the Auditor General. Task teams were established around the seven major findings:
 - (i) Asset Management and Inventory;
 - (ii) Liability Management;
 - (iii) Revenue Management;
 - (iv) Supply Chain and Expenditure Management;
 - (v) Finance;
 - (vi) Human Resource and governance Matters; and,
 - (vii) Performance Management System.
- 4.2.6 The committee however is not convinced that the CTSC is functioning.

4.3. Municipal Manager’s Response to the Report of the Auditor General:

- 4.3.1. Refer minutes, 16th April, 2010, pages 33 (annexure „E“)
- 4.3.2. The Acting Municipal Manager, Mr. Kevin Perumal, presented a document that contained responses to a questionnaire from the Department of Cooperative Governance and Traditional Affairs (COGTA) in terms of the Report of the Auditor General (refer attached annexure „G“).

4.4. Presentations on Performance by Strategic Business Units (SBUs):

- 4.4.1 It must be noted that presentations for (i) Community Services; and, (ii) Development Services were not received despite being given notification in this regard.

4.4.2 CORPORATE SERVICES:

- Refer minutes, 16th April, 2010, page 34 (annexure „E“)
- Refer Annual Report, page 168-175
- Committee would like to note the following:
 - (i) No customer survey has been conducted for the year under review;

- (ii) No performance assessments for the year under review had been conducted. Therefore no performance audit was undertaken.
- (iii) Fragmented response of the administration to Performance Management System (PMS). Management's lack of decision-making with regards to PMS is reflecting negatively on the progress of PMS within the organization.

4.4.3 INFRASTRUCTURE SERVICES:

- Refer minutes, 16th & 23rd April, 2010, page 35 & 37 respectively (annexure „E“ & „F“)
- Refer Annual Report, page 202
- In terms of roads, a concern was raised that the backlog does not include agricultural land. The Acting Deputy Municipal Manager (DMM) explained that, in the main, roads situated in agricultural areas are the responsibility of the province.
- The five year Infrastructure Investment Plan was presented, but is no included in the Annual Report.
- The Acting DMM explained that great strides had been made in reducing water losses from 36% in the previous year to 18% during the financial year under review. The Committee expressed concern that water losses are not categorized according to (i) faulty infrastructure; and, (ii) theft. The DMM confirmed that, whilst the system does allow for such classification, this is not currently being done.
- Committee was „*horrified*“ at the reported 46% vacancy rate.

4.5 COMMENTS: CHAIRPERSON OF THE AUDIT COMMITTEE

4.5.1 Refer minutes, 23rd April, 2010, page 38 (annexure „F“)

4.5.2 Refer Annual Report, page 145-146

4.5.3 The chairperson of the Audit Committee commented that there needs to be more communication and synergy between the Audit and Oversight Committees. He is concerned about the lapse in time between the reports of the Oversight Committee. He suggested that minutes of the Audit Committee be forwarded to members of the Oversight Committee throughout the year.

4.5.4 He highlighted the following in terms of the financial year under review:

- (i) Recommendations and resolutions of the Audit Committee were never followed up and/ or actioned;
- (ii) On numerous occasions requests for the Performance contracts of S57 Managers had not been attended to.
- (iii) The Audit Committee did not recommend the payment of bonuses to Section 57 managers.

4.6 COMMENTS: MUNICIPAL ENTITY, SAFE CITY

- 4.6.1 Refer minutes, 23rd April, 2010, page 39 (annexure „F“)
- 4.6.2 Refer Annual Report, page 223
- 4.6.3 The Chief Executive Officer (CEO) gave a brief presentation in this regard.
- 4.6.4 Committee expressed concern that the legal status of Safe City is not clear.
- 4.6.5 The CEO indicated that there is potential for a substantial amount of revenue if the number-plate recognition system is utilized; however, they have received no cooperation from the City's Public Safety Unit in this regard.

5. FINANCIAL IMPLICATIONS

The 2008/2009 Annual Report and Oversight Reports will entail certain costs, including:

- Publishing and Printing costs of Annual Report- R213 965.51.
- Payment to Community Representatives on Oversight Committee- R32 289.00

6. COMMUNICATIONS IMPLICATIONS

- 6.1. The 2008/2009 Annual Report and Oversight Report will be distributed to:
 - The National Treasury;
 - Auditor-General;
 - MEC, Department of Cooperative Governance and Traditional Affairs;
 - MEC: Provincial Treasury;
 - Both reports will be made available on the Msunduzi Municipality's website.
 - The Annual Report, 2008/2009 has already been made available at all ABM offices.

7. RECOMMENDATIONS

IT IS RECOMMENDED:

- 7.1 That the Council, having considered the 2008/2009 Annual Report of the Msunduzi Municipality, as tabled on 28th January 2010, adopts the Oversight Report, in terms of Section 129 of the Municipal Finance Management Act (MFMA).
- 7.2 That the 2008/2009 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. It is with grave concern that Committee notes that the above reservations are repeated from the previous two Oversight Reports.

- 7.3 That the minutes of the meetings where the Annual Report was discussed be submitted to:
- the Auditor-General;
 - MEC: Department of Cooperative Governance and Traditional Affairs; and,
 - MEC: Provincial Treasury,
- as attached to the report, in terms of Section 129 (2) of the MFMA.
- 7.4 That the corrective measures outlined in management's responses to the Auditor-General's management letter, the Action Plan of the Controls Transformation Steering Committee (CSTC), and the Audit Committee be implemented.
- 7.5 That the overall strategy of the Municipality be strengthened; it being noted that Key Performance Indicators (KPIs) be developed and monitored closely.
- 7.6 That, in future, an electronic version of the Annual Report is available in Zulu.
- 7.7 It should be noted that some of the recommendations from the 2007/2008 Oversight Report were not implemented by management and no satisfactory explanation was given.
- 7.8 That the 2008/2009 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).
- 7.9 The Oversight Committee, in future, is established at the beginning of the financial year.
- 7.10 The minutes of the Audit Committee are forwarded to members of the Oversight Committee during the year and, where the need arises, a meeting of the two committees be convened.
- 7.11 In future, all quarterly reports of the SDBIP are presented to Council as per legislative requirement.
- 7.11 The status of Safe City is finalized as a matter of urgency so that appropriate legislative, compliance and operational processes may be applied.
- 7.12 Progress reports and minutes from the Controls Transformation Steering Committee (CSTC) must be submitted to the Executive Committee on a monthly basis.

Respectfully submitted,

Councillor M. Thebolla,
(Chairperson: Oversight Committee, 2010)

„ANNEXURE A’:

ANNUAL REPORT CHECKLIST

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
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	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 annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities. Have the required standards been met – refer audit report and report of audit committee for views on this?	1. Annual Financial Statements (AFS) were submitted by 31 st August 2009 (Endorsed by Committee) 2. AFS prepared in compliance with the Municipal Finance Management Act (MFMA). Refer page 138 of Annual Report, point #13 (Endorsed by Committee)
121 (3)(a)	The above applies also to the AFS of municipal entities.	1. AFS of entity submitted as per guidelines (see opinion of Deloitte & Touche- page 120 of Annual Report) (Endorsed by Committee)
121 (3)(b) The Auditor-General’s reports on the financial statements of the municipality.	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?	1. Audit report is included in the Annual Report (refer page 136 of Annual Report) (Endorsed by Committee)
121 (4)(b)	The above applies also to the AFS of municipal entities.	1. Audit report is included in the Annual Report (refer page 119 of Annual Report); (Endorsed by Committee)
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	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. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	1. Notes to the AFS appear on pages 50-87 2. Templates that have been used for the Annual Financial Statements are GRAP compliant. (Endorsed by Committee)
121 (4)	The above applies also to the AFS of municipal entities.	1. Notes to the AFS appear on pages 124-130 (Endorsed by Committee)
121 (3)(e) An assessment by the accounting officer on	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to	1. An assessment on any arrears on municipal taxes and service charges is not included in the

any arrears on municipal taxes and service charges, including municipal entities	remedy the situation? Is any other action required to be taken?	Annual Report; however, the Acting Chief Financial Officer (CFO) informed Committee that continuous assessments are done by the consortium) (Not Endorsed by Committee) <ul style="list-style-type: none"> • The CFO indicated that the current economic climate was the cause of arrears. • The CFO advised that a debt consortium had been appointed to collect arrear debt.
121 (4)(c)	The above applies also to the AFS of municipal entities.	N/A
1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA	Financial reporting matters to be considered	Responses/Comments
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<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. <p>The objective of the municipality should be to achieve an unqualified audit opinion. 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 repeated from previous audits? ▪ 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</p>	<ol style="list-style-type: none"> 1. A Qualified Report was received 2. Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? AG advised that the implementation of the plan is questionable given that we are only left with (2) months in the current financial year. 3. AG reported that a bare minimum of issues had been attended to. <p>(NOT Endorsed by Committee)</p>

	report has been forwarded to the MECs.	
121 (4)(e)	The above applies also to the AFS of municipal entities.	N/A
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>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>	<ol style="list-style-type: none"> 1. The CFO indicated that the budget does contain measurable performance objectives for revenue from each source and for each vote. This is also contained in the SDBIP. 2. Monthly and quarterly reports are submitted to the EXCO. Reports are also submitted to the Audit Committee for noting. 3. Targets in this regard, have not been met. 4. Have you provided explanations for non-achievement? CFO unavailable for comment <p>(Not Endorsed by Committee)</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 entity and the municipality	<p>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 performance of entities.</p> <p>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?</p> <p>Council should comment and draw conclusions on performance and explanations provided.</p>	<ol style="list-style-type: none"> 1. A Service Level Agreement has never been drafted between Safe City and the Municipality. 2. The Public Safety Unit of the municipality did contribute towards the setting of performance targets. 3. Key Performance Indicators (KPIs) are included on page 132-135 of Annual Report <p>(Endorsed by Committee)</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
121 (4)(g)(h)	The above applies also to the AFS of municipal entities.	N/A
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>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity?</p> <p>What actions need to be taken in terms of these recommendations?</p> <p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>1. The Chairperson of the Audit Committee commented that policies are outdated and that requests for review were not forthcoming. Eg. Grants-In-Aid Policy</p> <p>2. The Chairperson advised that whilst he has been made aware of mechanisms that have been put in place in terms of the concerns raised by the Audit Committee, he has reservations in terms of the implementation in this regard. For example, Declarations of Councillors- Information requested is constantly not provided.</p> <p>(Not Endorsed by Committee)</p>
2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	Responses/Comments
123 (1)(a) Allocations received by <u>and</u> made to the municipality	<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?</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>1. Details of allocations received from another organ of state in the national or provincial sphere are included on pages 111-112 of Annual Report.</p> <p>(Endorsed by Committee)</p>

121 (1)(b) Allocations received by and made to the municipal entity	<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 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>1. List of contributors have been disclosed on page 131 of the Annual Report.</p> <p>(Endorsed by Committee)</p>
121 (1) Information in relation to outstanding debtors and creditors of the municipality and entities	<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>1. Consumer debtors are reflected in #6 of notes to financial statements (page51-53).</p> <p>2. Statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds are reflected on Page 76, note #42</p> <p>(Endorsed by Committee)</p>
2. Disclosures - Allocations received and made - Section 123-125 MFMA	Considerations	Responses/Comments
121 (1)(c) Information in relation to the use of allocations received	<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 terms of section 214(1)(c) of the Constitution and allocations received from 	<p>1. Appendix G-I reflects disclosure of grants & receipts as at 30 June 2009</p> <p>2. The CFO indicated that the Municipality had complied with the conditions of the grants/ allocations in terms of 214(1)(c) of the Constitution? If the Municipality had complied, these grants would have been taken away from the Municipality. As at the end of the financial year, none of the grants were retracted.</p>

	<p>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>	(Endorsed by Committee)
3. Disclosures in notes to AFS	Considerations relating to section 124	Responses/Comments
Information relating to benefits paid by municipality and entity to councillors, directors and officials	<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; 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 	<ol style="list-style-type: none"> Employee related costs reflected on page 72-73. Remuneration of councillors reflected on page 74. <p>(1-2 Above Endorsed by Committee)</p> <ol style="list-style-type: none"> 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 is not reflected in the AFS. <p>(3 above Not Endorsed by Committee)</p>

	<ul style="list-style-type: none"> 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>	
4. Municipal Performance	Considerations	Responses/Comments
The annual performance reports of the municipality and entities	<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?</p> <p>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 public consultation and public hearings?</p> <p>What actions have been taken and planned to improve performance?</p> <p>Is the council satisfied with actions to improve performance?</p> <p>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?</p> <p>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</p>	<ol style="list-style-type: none"> 1. The Annual Performance Report is included on page 153. 2. The Annual Performance Report only contains legislated KPIs 3. Performance information is not sufficiently presented. An organizational scorecard to this effect should be presented. <p>(Not Endorsed by Committee)</p>

	<p>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>	
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>1. No audit on performance conducted since no assessments were conducted (refer page 145).</p> <p>(Not Endorsed by Committee)</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.</p> <p>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>1. Committee is satisfied with the performance of the Entity; however, the status of Safe City must be clarified.</p> <p>(Endorsed by Committee)</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>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>1. Safe City have an approved & operational Performance Management System (PMS) for the entire control room operation, including annual and quarterly reviews.</p> <p>2. Safe City Annual Report included on page 223</p> <p>(Endorsed by Committee)</p>
5. General information	The following general information is required	Responses/Comments

	to be disclosed in the annual report.	
Relevant information on municipal entities	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.	1. The AFS are consolidated. Safe City AFS included on page 116. (Endorsed by Committee)
The use of any donor funding support	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?	1. Donor Funding has been received from the Carnegie Foundation for improvement to the new Children's section of the Library. Refer page 111 (Endorsed by Committee)
Agreements, contracts and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	N/A
Service delivery performance on key services provided	This may be a high level summary, in 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.	Refer #4 above.
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.	Details of long-term contracts are included in the Annual Report on page 88, appendix A. (Endorsed by Committee)
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	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	<ul style="list-style-type: none"> • No ICT Policy. • Refer minutes 16th April 2010 (Not Endorsed by Committee)

	draw conclusions on the information provided.	
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>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.</p> <p>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>A three-year infrastructure plan was presented by the DMM: Infrastructure Services, but is not included in the Annual Report.</p> <p>(Not Endorsed by Committee)</p>
6. Other considerations recommended		Responses/Comments
Timing of reports	<p>Was the report tabled in the time prescribed?</p> <p>Has a schedule for consideration of the report been adopted?</p>	<ul style="list-style-type: none"> • The Annual Report was tabled as per legislative requirement. • A schedule for the oversight process was developed at the initial meeting of the Oversight Committee.
Oversight committee or other mechanism	<p>What mechanisms have been put in place to prepare the oversight report?</p> <p>Has a schedule for its completion and tabling been adopted?</p>	A technical administrative team coordinates the Oversight process.
Payment of performance bonuses to municipal officials	<p>Refer to Section 57 MSA as amended.</p> <p>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?</p> <p>If so has a proper evaluation of performance been undertaken?</p> <p>Was the evaluation approved by council?</p> <p>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?</p>	N/A

	<p>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'S OVERSIGHT COMMITTEE MEETINGS AS FOLLOWS:

- **Friday: 05th March 2010**
- **Friday: 12th March 2010**
- **Friday: 19th March 2010**
- **Friday: 26th March 2010**

All meetings will be held at the Bessie Head Library, Old Auditorium. Meetings will commence at 08h30.

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 MFMA, and requires the council to adopt an Oversight Report, no later than 2 months after the tabling of the Annual Report.

Msunduzi Municipality's Annual Report was tabled in Council on 27th January 2010, is available for public viewing and has been published on the municipality's website www.msunduzi.gov.za. Copies are available at the following satellite offices:

- Vulindlela
- Imbali
- City Hall
- Edendale
- Ashburton
- Northern Areas

The public is hereby informed that consultation on the Annual Report will convene at the meetings, as outlined above, thereafter; the Oversight Report will be developed and recommended to the Full Council for adoption.

The public is invited to submit written concerns on the Annual Report to:
Office of the Municipal Manager,
Ref: Annual Report 2008/09
Private Bag X321,
Pietermaritzburg 3200.

Or

Email: madeleine.jackson@msunduzi.gov.za

Final Date for Submissions: Monday, 15th March 2010

Umasipala waseMsunduzi
ISIFUNDAZWE SAKWAZULU-NATALI
KZN225



NIYAZISWA UKUBA SIMEMA AMALUNGA OMPHAKATHI EMIHLANGANWENI
YEKOMIDI LASEMSUNDUZI ELIBHEKELE UKUSEBENZA KUKAMASIPALA
NGALEZIZINSUKU EZILANDELAYO:

- **NgoLwesihlanu: 05th March 2010**
- **NgoLwesihlanu: 12th March 2010**
- **NgoLwesihlanu: 19th March 2010**
- **NgoLwesihlanu: 26th March 2010**

Yonke imihlangano iyakubanjelwa Bessie Head Library, Old Auditorium, imihlangano iyakuqaliswa makugamanxa ihora lesishagalolunye (8h30).

Ukwamukelwa kombiko weKomidi elibhekele ukusebenza kukaMasipala (Oversight) kubangusomqulu wokugcina ohlelweni lokubikwa kwezinhlelo zikaMasipala. Lowo mbiko weKomidi ungumgomo odingekayo ngokwesiGaba soMthetho 129 obhekele ukuSebenza kweziMali zoMkhandlu (MFMA), nodinga ukuba uMkhandlu wamukele umbiko walelikomidi zingakapheli izinyanga ezimbili ngemva kokwethulwa kombiko wonyaka.

Umbiko wonyaka kaMasipala waseMsunduzi wethulwa ngomhlaka 27th Januwari 2010, uyatholakala ukuba umphakathi uwubone futhi ushicilelwe nakwisigcinalwazi sikaMasipala (website) esithi www.msunduzi.gov.za. Amakhophi ayatholakala kulezizikhungo zamahhovisi alandelayo:

- Vulindlela
- Imbali
- City Hall
- Edendale
- Ashburton
- Northern Areas

UMphakathi uyaziswa ukuba ukucutshungulwa ngombiko woNyaka kuyakwenziwa emihlanganweni, njengokubaluliwe ngenhla, ngemva kwaloko kuyobe sekwakhiwa umbiko obhekele ukusebenza kukaMasipala bese kunconywa ukuba uMkhandlu oMkhulu (Full Council) uwamukele.

UMphakathi uyacelwa ukuba ubhale izikhalazo zawo ngoMbiko woNyaka uqondise kulelikheli:
IHhovisi likaMenenja kaMasipala,
Ref: Umbiko woNyaka 2008/09
Private Bag X321,
Pietermaritzburg 3200.
Noma

Email: madeleine.jackson@msunduzi.gov.za

Usuku lokugcina lokwamukelwa kwezikhalazo: nguMsombuluko, 15th March 2010

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN **THE COMPEN BOARDROOM,**
ON MONDAY, 1 MARCH 2010 AT 10H00

PRESENT: Councillors MM Thebolla (Chairperson), S Gabela, S Mkhize and D Ryder.

ABSENT: Councillor SJ Seymour (who was on leave).

ALSO

PRESENT: Community Representatives Mr B Mshengu and Mrs RFN Khoza.

OFFICIALS

PRESENT: Mr M Madlala (Researcher: CBU); Mesdames M Plaatjies (Manager: Municipal Manager's Office) and B Duze (Committee Officer).

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

(Raised verbally)

The Chairperson welcomed all present. He expressed apologies for inconveniences caused due to the postponement of the Oversight Committee meeting. He explained that the Full Council meeting was due to take place on the same day as the Oversight Committee and that the meeting would have clashed with the caucus.

An application for leave was received on behalf of Councillor SJ Seymour who was on leave.

It was

AGREED

That Councillor SJ Seymour be granted leave of absence from the current meeting of the Oversight Committee.

2. **INTRODUCTION TO MEMBERS**

(Raised verbally)

Members were afforded an opportunity to introduce themselves and new members were welcomed on board.

3. **PURPOSE OF THE SESSION**

(Raised verbally)

The Manager: Municipal Manager's Office explained that the purpose of the session was to provide orientation to members in terms of a better understanding to their role, which was to play an oversight role in the Municipality.

It was pointed out that this was the second committee to sit on the oversight process and members were urged to work as a team for a more effective and efficient process.

Members were advised that amongst the responsibilities that lay with the Oversight Committee, the need to develop and adopt the Oversight report was crucial.

NOTED.

4. DOCUMENTS DISTRIBUTED IN THE COMMITTEE

Oversight Terms of Reference
Service Delivery and Budget Implementation Plan 2008/2009
Annual Report 2008/2009
Oversight Report 2007/2008

(Tabled at the meeting)

Committee members were advised that the documents submitted were required in order to carry out their duties effectively and they were urged to read through those documents. It was stated that the Annual Report would be approved once the Oversight Committee had forwarded its recommendations to Council.

In response to a query raised it was pointed out that the Auditor General dealt with the Annual Financial Statements whereas the Oversight Committee looked at responses from the Auditor General and the Municipal Manager, the performance of the Municipal entity and the reports of the Audit Committee.

It was highlighted that the Oversight Committee comprised of councillors which were non-executive members. The Manager: Municipal Manager's Office explained that she was not a member of the Oversight Committee, however, she played a coordinating and supporting role in the committee.

A request was made that the Auditor General, the Chairperson of the Audit Committee and the Chief Financial Officer should be invited to the next meeting of the Oversight Committee to conduct presentations on reports or performance information as presented in the Annual Report 2008/2009.

It was

AGREED

That the Auditor General, the Chairperson of the Audit Committee and the Chief Financial Officer be invited to the next meeting of the Oversight Committee to conduct presentations on reports or performance information as presented in the Annual Report 2008/2009.

5. PRESENTATION ON OVERSIGHT PROCESS

(Presentation conducted by the Manager: Municipal Manager's Office)

In response to a query raised it was explained that although the Integrated Development Plan was a five year document, it was reviewed on a yearly basis. It was stated that the committee had to determine whether targets had been delivered within the allocated budget.

It was highlighted that legislation outlined that seven months after the close of the financial year, the annual report should be tabled to Council. Should the annual report not be table in Council, it was mentioned that the Mayor would have to explain the reasons in writing.

In response to whether Council could reject the Oversight Committee's report, it was pointed out that in such cases Council would have to provide reasons for the rejection and the Oversight Committee could rectify or amend its report.

A recommendation was made that public members, ward committee members and members of the Rate Payers Association should be invited to the third meeting of the Oversight Committee which would take place on 19 March 2010. It was mentioned that a document was to be prepared by the Manager: Office of the Municipal Manager and sent to ward committees that would assist them to get an understanding as to what they should expect when they attend the Oversight Committee meeting.

A request was made by the Chairperson that the Manager: Municipal Manager's Office should submit to the committee members copies of the Municipal Finance Management Act Circulars referred to in the presentation document and copies of performance agreements for all Section 57 Managers.

Following discussion, it was

AGREED

- (a) That the Manager: Municipal Manager's Office submit to the committee members copies of the Municipal Finance Management Act and Circulars (Circular No. 11, 18 and 28) as referred to in the presentation document and copies of performance agreements for all Section 57 Managers.
- (b) That members of the public, ward committees and Rate Payers Association be invited to the third meeting of the Oversight Committee scheduled for Friday, 19 March 2010.

6. DATES OF MEETINGS

A proposal was made that Oversight Committee meetings be scheduled for all Fridays in the month of March at 08h30 in the Library Basement Boardroom.

NOTED.

7. ADVERT TO THE PUBLIC

The Manager: Municipal Manager's Office advised that she had drafted and advert which was currently undergoing an oversight process.

NOTED.

Meeting terminated at 11h25.

Confirmed By

CHAIRPERSON

PIETERMARITZBURG

My Documents\SG\Bongiwe\2010\Council Oversight Committee\OC010310.doc

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN THE LIBRARY BASEMENT BOARDROOM,
ON FRIDAY, 5 MARCH 2010 AT 08H30

PRESENT: Councillors MM Thebolla (Chairperson), S Gabela, S Mkhize and D Ryder.

ABSENT: Councillor SJ Seymour (who was on leave).

ALSO

PRESENT: Community Representatives Messrs B Mshengu, ES Sithole; Mrs RFN Khoza and W Anderson (Manager: Auditor General).

OFFICIALS

PRESENT: Messrs K Perumal (Acting Municipal Manager), MB Sahibdeen (Manager: Financial Services and M Madlala (Researcher: CBU); Mesdames M Plaatjies (Manager: Municipal Manager's Office) and B Duze (Committee Officer).

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

(Raised verbally)

The Chairperson welcomed all present. An application for leave was received on behalf of Councillor SJ Seymour who was on leave. The Acting Municipal Manager requested to leave the meeting at 09h00 as he had to attend Local Labour Forum meeting which was scheduled to take place at 09h00. It was noted that the Deputy Municipal Manager: Financial Services would be joining the meeting late and that he was represented by the Manager: Financial Services.

It was

AGREED

That Councillor SJ Seymour be granted leave of absence from the current meeting of the Oversight Committee.

2. **REPORT OF THE AUDITOR GENERAL (3.10.1.3)**

Presentation by Manager: Auditor General.

The need to take matters reported by the Auditor General into consideration was stressed. It was explained that various matters could drive an audit report not to be clean, viz. Non-compliance, material adjustments, internal control, audit performance information, organizational performance, etc.

It was pointed out that the Internal Auditor should review the system of internal controls and monitoring. It was highlighted that the system of controls within the Municipality was failing and weak. A statement was made that there was late intervention by the Municipal Manager to try and resolve matters raised by the Auditor General.

The Manager: Auditor General further explained that the issue of non-compliance was caused by excessive overtime paid and councillors who did not declare business interests.

3. COMMENTS / QUESTIONS OF CLARITY FROM MEMBERS

(Raised verbally)

In response to a query raised as to what powers and responsibilities lay with the Auditor General in terms of repeated findings being raised, it was stated that repeated findings were brought out in the Management report and that there was a summary of repeated issues from the previous audits. It was highlighted that the function of the Auditor General was to audit and report on the findings. The Manager: Auditor General advised that risk assessments, especially if they were not material, should be dealt with within a year and stated that the Auditor General's responsibility was to draw attention to findings and make recommendations.

It was explained that irregular expenditure was the amount found during Audit and it was stated that it was one of the financial adjustments done to the financial statement. Members were advised that reasons for irregular expenditure could be obtained from the Municipal Manager.

With regard to loss of water and electricity it was pointed out that this was an issue which had been disclosed by the Accounting Officer in the financial statement. He advised that Council should look at whether there was an appropriate plan in place to assist in reducing water and electricity.

4. REPORT OF THE AUDIT COMMITTEE (3.10.1.1)

Presentation by the Chairperson of the Audit Committee.

It was noted that there was no one present to provide a presentation of the Audit Committee.

It was

AGREED

That the presentation on the Audit Committee report be STOOD DOWN for the next meeting of the Oversight Committee.

5. ANNUAL FINANCIAL STATEMENTS (3.1.1 (2009/2010))

Presentation by the Deputy Municipal Manager: Financial Services.

The Manager: Financial Services explained that the exemption that was received from GRAP was applicable for two financial years. With regard to overtime costs, it was stated that the costs were due to shortage of staff and the cause was the lack of controls within various business units.

In response to a query raised with regard to the collection of revenues, it was mentioned that the National Treasury had deployed an individual to assist in collecting revenue and reviewing the credit control policy.

A proposal was made that the Chairperson of the Control Transformation Steering Committee should report to the Oversight Committee of the Committee's progress. It was stated that action plans had been put in place to address some of the issues raised in the report of the Auditor General.

A request was made that the Chief Financial Officer should submit a detailed report as to what had been done regarding issues raised in the annual financial statement.

Responding to a query as to what processes were followed to recover amounts owed by government departments, the Manager: Financial Services explained that the deployee from the National Treasury were handling the matter. He further explained the department collection process was undertaken to be reported by the Chief Financial Officer in the following meeting of the Oversight Committee. It was stated that the National Treasury deployee was working on identifying debts that were incurred by the Municipality.

It was

AGREED

That since the Manager: Financial Services was not in a position to address some of the concerns and questions raised by committee members, the Deputy Municipal Manager: Financial Services be requested to address these at the next meeting of the Oversight Committee.

8. **ANNUAL REPORT CHECKLIST TO COVER ALL FINANCIAL ASPECTS (3.1.1 (2009/2010))**

Presentation conducted by the Manager: Office of the Municipal Manager (*Attached*)

The Manager: Office of the Municipal Manager explained that the Annual Report Checklist was one of the major aspects to the Oversight Report. She led committee members through the financial aspects contained in the Checklist. Appropriate comments and submissions were noted and included in the document.

A statement was made that comments and responses from the office of the Auditor General would be appreciated. The fact that the Oversight Committee could not change the Annual Report was stressed. It was however mentioned that the Oversight Committee could submit dissatisfaction and concerns.

A request was made that the Chairperson of the Audit Committee, the Deputy Municipal Manager: Financial Services and the Municipal Manager should report to the next meeting of the Oversight Committee.

Meeting terminated at 10h25.

Confirmed By

CHAIRPERSON

PIETERMARITZBURG

My Documents\SG\Bongiwe\2010\Council Oversight Committee\OC050310.doc

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN THE LIBRARY BASEMENT BOARDROOM,
ON FRIDAY, 16 APRIL 2010 AT 08H30.

PRESENT: Councillors MM Thebolla (Chairperson), S Gabela, S Mkhize and D Ryder.

ABSENT: Councillor SJ Seymour; Community Representatives Mr ES Sithole and Mrs RFN Khoza (attending a conference in Johannesburg).

ALSO

PRESENT: Mr B Mshengu (Community Representative); Mesdames W Saib (Office of the Auditor General) and N Narainsamy (Office of the Auditor General).

OFFICIALS

PRESENT: Messrs K Perumal (Acting Municipal Manager), MB Sahibdeen (Acting Deputy Municipal Manager: Finance Services), T Maseko (Acting Deputy Municipal Manager: Infrastructure Services), K Thaver (Acting Deputy Municipal Manager: Corporate Services), S Zimu (Acting Deputy Municipal Manager: Development Services), R Mkhize (Manager: Integrated Development Planning), M Zuma (Process Manager: Community Development), and M Madlala (Researcher: Corporate Business Unit) ; Mesdames Dr Nkosi (Acting Deputy Municipal Manager: Community Services), M Plaatjies (Manager: Municipal Manager's Office) and B Duze (Committee Officer).

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

(Raised verbally)

The Chairperson welcomed all present. There were no applications for leave received from the current meeting of the Oversight Committee.

The Acting Municipal Manager reported that both himself and the Acting Deputy Municipal Manager: Corporate Services had to attend a Strike Management meeting at 10h00. He therefore requested permission to conduct his presentations before they left.

Several requests thereafter were received from the Acting Deputy Municipal Manager: Finance Services (who had to attend an Adjustment Budget meeting at 10h30), Acting Deputy Municipal Manager: Community Services (who had to attend the Strike Management meeting at 10h00), the Community Representative (who had to leave before 11h00) and Councillor Mkhize (who had to leave at 10h45 as she had a doctor's appointment at 11h00).

It was noted that at Councillor Mkhize's departure, the meeting would have to be terminated as there would be no quorum.

The Chairperson extended his welcome to the representatives from the Office of the Auditor General and pointed out that they were welcome to participate in discussions arising from the meeting. He

expressed concern regarding the fact that the Chairperson of the Audit Committee had not attended a single meeting of the Oversight Committee.

Committee was advised that the Deputy Municipal Manager: Development Services was represented by Mr Zimu as he could not attend the meeting. The Acting Deputy Municipal Manager: Community Services requested permission for the Process Manager: Community Services to be part of the presentation so that he would assist where possible.

NOTED.

2. RESPONSES BY THE DEPUTY MUNICIPAL MANAGER: FINANCE SERVICES

(Raised verbally)

Several queries were raised at the previous meeting that took place on 5 March 2010 and the Acting Deputy Municipal Manager: Finance Services had indicated that he would respond as those queries in the current meeting of the Oversight Committee.

In response to whether the annual statement was submitted on time, the Acting Deputy Municipal Manager: Finance Services was in agreement as he pointed out that it was submitted on 31 August 2009.

He mentioned that there were continuous assessments regarding arrears on Municipal Taxes and Service Structures and further explained that causes were due to current economic climate (non-payment of service structures) which had an impact around the cash flow.

Responding to a query raised as to what action had been taken to remedy the situation, it was stated that debt collectors had been appointed in that regard.

With regard to allocations, donations and grants committee was advised that that information was indicated on pages 111 and 112 of the Annual Report 2008/2009. It was also pointed out that information on whether the Municipality had met all its statutory commitments was obtainable on page 76 of the Annual Report 2008/2009.

The Acting Deputy Municipal Manager: Finance Services reported that information on arrears owed by individual councillors was not disclosed in the financial report; however, he would forward that information to members of the Oversight Committee before the next meeting.

The Acting Deputy Municipal Manager: Finance Services drew attention on the Annual Report Checklist and touched on specific areas pertaining to Finance, viz:

- *Section 121 (3)(h) of the Municipal Finance Management Act (MFMA): "Any explanations that may be necessary to clarify issues in connection with the financial statements"* – it was explained that the template that was used on the financial statements was GRAP compliant.
- *Section 121 (3)(g): "Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports"* – it was added that technical and control issues that were in the audit report were raised in the Auditor General's report.

- *Section 121 (1)(c)* – In response to a query raised as to whether the Municipality had complied with the conditions of the grants/ allocations in terms of 214 (1)(c) of the Constitution, it was explained that the Municipality was in compliance as there were no grants paid at the end of the 2009/2010 financial year and that monthly statements were submitted to the Provincial and National Treasury on grant allocations.

3. **RESPONSE TO THE REPORT OF THE AUDITOR GENERAL**

Response by the Acting Municipal Manager.

The Acting Municipal Manager elaborated on the Information Technology and Security factor within the Municipality stating that several findings were made by the Auditor General in relation to this issue. A statement was made that management had responded to the Auditor General's finding by indicating that the Municipality lacked a comprehensive Information Communication and Technology (ICT) policy document. It was mentioned that a response in this regard was tabled at the Executive Committee on 1 April 2010.

The Acting Municipal Manager pointed out that an ICT Strategy was in place, however, he stated that they wished to finalise the strategy and present it to the Executive Committee together with the policy document.

With regard to other financial matters within the Municipality, it was reported that a Controls Transformation Steering Committee was formulated by the former Municipal Manager and that all financial issues relating to the Auditor General's queries were being addressed by this committee.

Committee was advised that several requests that were in the Auditor General's queries had been completed and a response to those queries was submitted to Corporate Governance and Traditional Affairs.

In response to a query raised as to what processes were being followed and whether there were any specific time lines with regard to the ICT strategy, it was explained that ICT was previously a business unit on its own and had its own management team, however, during the restructuring process it was placed under the Corporate Services Business Unit which had initiated the process of developing and ICT strategy.

It was mentioned that a request was made by the Executive Committee that various Business Units should be consulted in order to take the strategy forward and that the strategy should be presented to the Executive Committee in a period of two weeks. The Acting Municipal Manager further mentioned that the report that would be presented to the Executive Committee would as well be presented to the Oversight Committee by the Acting Deputy Municipal Manager: Corporate Services.

Committee was led through the COGTA document and was advised that the issue relating to over expenditure and non-compliance to overtime was subject to a forensic investigation by the Administrator: Mr J Mettler.

It was explained that councillor's declarations have been received at the special Full Council that took place on Wednesday, 14 April 2010. It was further explained that irrespective as to whether councillors had submitted their declaration in the previous financial year, they were required to submit for this financial year regardless of whether there were changes in their declarations.

In response to a query raised as to whether councillors could indicate the interest of their spouse or close relative in the declaration form, the Acting Municipal Manager advised that he would investigate the matter and present a report to the Oversight Committee. He stated that the Administrator had granted permission for the release of declarations to the press and that only the public part of the declarations would be publicized.

Confirmation was made that the 2010/2011 Integrated Development Plan (IDP) had been prepared and that the process of finalizing the budget that was in line with the IDP was being undertaken. It was reported that the budget was expected to be finalized by the end of March, however, it had been delayed and it was stated that the Provincial and National Treasury had been informed of the delay.

It was reported that an adjustment budget that was approved by the previous Executive Committee was being evaluated by the Administrator.

It was stated that the Municipality's valuation roll had been confirmed and that the alignment of the IDP would take place once the budget had been finalized.

A concern was raised that presentation documents were only distributed at the meetings of the Oversight Committee and managers were requested to submit copies of their presentations to the Committee Officer prior to the meetings.

4. CORPORATE SERVICES: PRESENTATION ON PERFORMANCE FOR 2008/2009

Presentation by the Deputy Municipal Manager: Corporate Services.

It was reported that the finalisation of Job Evaluation was being awaited. It was stated that a full comprehensive report was to be presented at Full Council on Occupational Health. The Deputy Municipal Manager: Corporate Services mentioned that a major challenge faced was that portfolio committees did not have powers to make any decisions.

A concern was raised regarding the fact that the budget of the Corporate Services Business Unit was not adequate and this was an ongoing process particularly with regards to training and development.

It was highlighted that the Corporate Services Business Unit was internally focused and provided a comprehensive service to employees and departments in the form of Human Resources Management, Human Resources Development, Sound Governance, Information Communication and Technology and Legal Services. In areas that were under Economic and Social Development it was reported that targets were being looked at and the actual performance of Business Units.

The Deputy Municipal Manager: Corporate Services mentioned that the performance of the Municipality was communicated through Izimbizo in terms of dealing with the IDP. With regard to a customer service survey, it was stated that the initial proposal was to conduct a survey through ward committees, however, the report was still at the speaker's office and was not implemented.

He reported that his performance agreements for 2008/2009 and 2009/2010 were signed by the previous Municipal Manager. With regard to quarterly assessments it was pointed out that for 2008/2009 they had not been conducted, however the Management Committee resolved that the Acting Municipal Manager should complete performance evaluation of all Deputy Municipal Managers. Committee was then advised that two performance assessments for the Deputy Municipal Manager: Finance and the Acting Deputy Municipal Manager: Development Services had been concluded.

It was explained that performance reports would be submitted to the external committee appointed by Council to deal with performance evaluation of managers. Action plans that have been reported were said to have been carried out in the 2010/2011 financial year.

With regard to bursaries it was stated that both internal and external bursaries were available and that internal bursaries were advertised internally whereby employees were granted the opportunity to further their studies. It was explained that employees were obligated to remain with the Municipality for the period relating to their course should they wish to terminate their employment contract.

5. INFRASTRUCTURE SERVICES: PRESENTATION ON PERFORMANCE FOR 2008/2009

Presentation by the Deputy Municipal Manager: Infrastructure Services.

With regard to poor standpipes, it was reported that this was a result of poor performance from emerging contractors. It was explained that Umgeni Water would bill the Municipality for water should there be a burst water pipe even though it was unattended to due to non-payment of overtime. The Acting Deputy Municipal Manager: Infrastructure Services reported that water loss had been significantly reduced.

It was mentioned that the electricity department was one of the areas whereby there was no backlog unless it was created by the Municipality. It was further mentioned that the issue regarding the maintenance of street lights had caused a strain in the relationship between Eskom and the Municipality.

A concern was raised that there were currently two (2) transformers that were ready to be delivered, however there was no budget to pay for them due to the fact that they were ordered without confirmation of the budget.

[At this time of the proceedings Councillor Mkhize left the meeting and there was no quorum]

Meeting terminated at 10h55.

Confirmed By

CHAIRPERSON

PIETERMARITZBURG

MINUTES OF THE OVERSIGHT COMMITTEE

MEETING HELD IN THE LIBRARY BASEMENT BOARDROOM,
ON FRIDAY, 23 APRIL 2010 AT 08H30.

PRESENT: Councillors MM Thebolla (Chairperson), D Ryder and SJ Seymour.

ABSENT: Councillors SC Gabela (attending a course in KwaNaloga – Durban) and S Mkhize (indisposed); Community Representative Mr B Mshengu (away on business in Richards Bay).

ALSO

PRESENT: Messrs ES Sithole (Community Representative), A Jordaan (Audit Committee Chairperson) and L Holthauzen (Safe City Consultant); Mesdames RFN Khoza (Community Representative), W Saib (Representative: Office of the Auditor General) and N Bhika (CEO: Safe City).

OFFICIALS

PRESENT: Messrs MB Sahibdeen (Acting Deputy Municipal Manager: Finance Services), T Maseko (Acting Deputy Municipal Manager: Infrastructure Services) and M Madlala (Assistant Researcher: Office of the Municipal Manager); Mesdames M Plaatjies (Manager: Municipal Manager's Office) and B Duze (Committee Officer).

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

(Raised verbally)

Applications for leave were received on behalf of Councillors SC Gabela (who was attending a course in Kwanaloga – Durban) and S Mkhize (indisposed). An apology was tendered on behalf of Mr Mshengu (Community Representative) who was away on business.

It was

AGREED

That Councillors Gabela and Mkhize be granted leave of absence from the current meeting of the Oversight Committee.

2. **CONFIRMATION OF MINUTES**

Minutes of the meeting held on 1 March 2010.

(Page 1 of agenda)

It was

AGREED

That the minutes of the Oversight Committee meeting held on 1 March 2010 be and are confirmed.

3. CONFIRMATION OF MINUTES

Minutes of the meeting held on 5 March 2010.

(Page 4 of agenda)

It was

AGREED

That the minutes of the Oversight Committee meeting held on 5 March 2010 be and are confirmed.

4. CONFIRMATION OF MINUTES

Minutes of the meeting held on 16 April 2010.

(Page 1 of CC 58 of 2010)

It was

AGREED

That the minutes of the Oversight Committee meeting held on 16 April 2010 be and are confirmed.

5. INFRASTRUCTURE SERVICES: PRESENTATION ON PERFORMANCE FOR 2008/2009

Presentation by the Acting Deputy Municipal Manager: Infrastructure Services.

(Page 7 of agenda)

A concern was raised with regard to the backlog on the upgrading and construction of roads. It was explained that some roads were covered by the province and not by the Municipality; therefore authority would have to be obtained from the Province for construction. It was further explained that delays were experienced in obtaining authorization in terms of powers and functions.

A query was raised as to whether it was possible to quantify stolen water and water that was due to infrastructure services. It was also queried whether there was a system in place for monitoring purposes in cases of theft. In response the Acting Deputy Municipal Manager stated that it was impossible to quantify stolen water, however, it was possible to quantify losses. He pointed out that there was a monitoring system in place and the culprit would have to be identified prior to quantifying losses.

Another concern was raised regarding the fact that water bursts had been reported repeatedly and that there was no response from the Infrastructure Business Unit. Councillor Seymour reported certain

areas that had bursts to the Acting Deputy Municipal Manager: Infrastructure Services and a request was made that these areas be attended to at as a matter of urgency.

The Acting Deputy Municipal Manager: Infrastructure Services advised Committee that should people require to utilize fire hydrants an application would have to be submitted and a meter would be set in order for them to be billed for water. He mentioned that problems that were encountered by the call centre were identified and the need to strengthen the availability of resources during the night shifts was stressed.

He elaborated on the challenges experienced by the Business Unit stating that a number of resignations had been received which had an impact on productivity. A concern was raised with regard to the 46% vacancy rate that was within the Infrastructure Services Business Unit and it was queried as to whether that rate was affected by the lack of funds in the Municipality. Committee was advised that the low rate was due to both lack of funds and lengthy recruitment experiences. It was highlighted that sufficient support was not received from certain business units within the Municipality. The engagement of consultants was said to be a short to medium goal that would be taken into account due to unavailability of staff.

In response to whether a turnaround strategy had been developed to address issues raised by the Infrastructure Services Business Unit it was reported that the strategy was being undertaken by the appointed Administrator: Mr J Mettler. It was mentioned that a draft strategy was presented at a special Full Council and that the focus was currently on the financial aspects although it did not exclude other factors that affected the Municipality.

6. COMMENTS ON 2008/2009 AUDIT COMMITTEE REPORT

Comments by the Chairperson of the Audit Committee.

(Attached in the Annual Report 2008/2009)

Serious concerns were raised regarding the fact that recommendations were made repeatedly by the Audit Committee and that resolutions taken were not being implemented by officials. A proposal was made that minutes and recommendations of the Audit Committee be submitted to the Oversight Committee in order to incorporate recommendations of both the Oversight and Audit Committees and submit them to the Executive Committee. It was suggested that Audit Committee members be invited to all meetings of the Oversight Committee.

It was proposed that meetings of the Oversight Committee should be scheduled in order to engage with stakeholders as well as to resolve interventions before the required meetings took place. It was also proposed that Oversight Committee members should be elected at the beginning of each financial year to allow them to carry out their duties efficiently and effectively.

NOTED.

7. DEVELOPMENT SERVICES: PRESENTATION ON PERFORMANCE FOR 2008/2009

Presentation by the Acting Deputy Municipal Manager: Development Services.

(Page 34 of agenda)

It was noted that the Acting Deputy Municipal Manager: Development Services or a representative did not attend to conduct a presentation on behalf of the Development Services Business Unit.

NOTED.

8. **COMMUNITY SERVICES: PRESENTATION ON PERFORMANCE FOR 2008/2009**

Presentation by the Deputy Municipal Manager: Community Services.

(Page 50 of agenda)

It was noted that the Deputy Municipal Manager: Community Services or a representative did not attend to conduct a presentation on behalf of the Community Services Business Unit.

NOTED.

9. **MUNICIPAL ENTITY: COMMENTS ON THE 2008/2009 ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORT**

Comments by the Chief Executive Officer: Safe City.

(As attached in the Annual Report 2008/2009)

It was reported that 70 cameras were installed to assist in eliminating crime, of which 60 were plotted around the CBD area and 10 in the Freedom Square Taxi Rank. The CEO talked on different types of cameras plotted around the city explaining their function and also touched on their advantages. With regard to arrests she explained that targets were below expectation due to the fact that complainants did not open cases.

It was pointed out that a number-plate recognition system that would be attached to cameras was being considered and that about 16000 warrants of arrests were loaded into the system. Committee was advised that it was previously stated that no councillors were allowed to represent on the Safe City board. It was mentioned that a late discovery had just been made that Safe City was a Section 21 organisation and not a Municipal Entity.

It was pointed out that quarterly funding was received in advance from the Municipality. The CEO advised that the operation of the control room as well as repair and maintenance had been outsourced, however, an in-house operation would resume in March 2011. She reported that back-up generators that lasted up to eight (8) hours were in place in case of an electricity shutdown.

A concern was raised with regard to lack of representation from the Traffic Department on the Safe City board. It was stated that there was no written service delivery agreement between Safe City and the Municipality and that the Traffic Department was on board when targets for the year were set.

10. **ANNUAL REPORT CHECKLIST**

(Raised verbally)

Committee went through the Annual Report Checklist and finalized recommendations.

It was thereafter

**AGREED TO RECOMMEND
TO THE FULL COUNCIL**

- (a) 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).
- (b) 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:**
- There was no proper report on the municipality's performance management system as required by Section 46 of the Municipal Systems Act as well as Section 121 (3)(c) & (f) of the Municipal Finance Management Act.
 - The lack of a performance audit made it difficult for the committee to carry out its responsibilities.
 - 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).
- (c) 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.
- (d) That the corrective measures outlined in management's responses to the Auditor-General's management letter, be implemented as well as recommendations from the Audit Committee.
- (e) That the overall strategy of the Municipality be strengthened; it being noted that Key Performance Indicators (KPIs) would be developed and monitored closely.
- (f) That an electronic version of the Annual Report be available in isiZulu.
- (g) That it be noted that some of the recommendations from the 2007/2008 Oversight Report were not implemented by management and no satisfactory explanation was given.
- (h) That the 2008/2009 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 it be submitted to the KwaZulu Natal Provincial Legislature in terms of Section 132 (2) of the Municipal Finance Management Act (MFMA).

Meeting terminated at 14h05.

Confirmed By
CHAIRPERSON

PIETERMARITZBURG

My Documents\SG\Bongiwe\2010\Council Oversight Committee\OC230410.doc

ANNEXURE 'G'

Name of Municipality: MSUNDUZI MUNICIPALITY
Type of Opinion: QUALIFIED
Type of Opinion Previous Year: UNQUALIFIED

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
<p>Property, plant and equipment</p> <p>As described in note 8 to the financial statements, property, plant and equipment (PPE) was adjusted as a prospective change in accounting policy at a deemed cost of R5,495 billion, which was based on the depreciated replacement cost at 30 June 2009. This accounting treatment is not in accordance with the Standards of GRAP, as the change in accounting policy was not applied retrospectively. The accounting officer believes that it was impracticable to obtain historical information on PPE, which was acquired subsequent to 1 July 2005, thus making it impossible to perform a retrospective restatement on initial adoption of Standards of GRAP. I disagree with the accounting officer that the retrospective application of Standard of GRAP 17 (<i>Property, plant and equipment</i>) could not be applied. Moreover, the useful lives, depreciation methods, residual values and impairment was not assessed at 30 June 2009 to conform with Standard of GRAP 17.</p> <p>Accordingly, the adjustment to PPE, depreciation, impairment of PPE, accumulated surpluses and accumulated depreciation, as well as the resultant impact on the cash flow statement has not been determined.</p>	<p>1. A meeting to be held with AG to obtain clarity on the matters raised by the AG;</p> <ul style="list-style-type: none"> • Technical interpretation of the standard (the interpretation must be accepted by both Auditors and Management of the Municipality); 	<p>Mr T Maseko Mr S Mtshali (Deloitte)</p>	<p>15 April 2010</p>	<p>"Momentum lost due to interventions" – Awaiting the Auditor General's meeting.</p>
<p>Investment property</p> <p>Although vacant land held for undetermined future usage in an amount of R534,167 million was recognised in note</p>	<p>The terms of reference for contract Pu 93 of 08/09 –</p>	<p>Mr S Mtshali Mr F Grantham</p>	<p>15 April 2010</p>	<p>Contract PU 93 of 08/09 to be awarded</p>

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
<p>10 to the financial statements for the current year, as investment property, this amount was not adjusted retrospectively, as required by Standard of GRAP 3 (<i>Accounting policies, changes in accounting estimates and errors</i>). Furthermore, buildings, which are potentially investment properties, had not been recognised in the financial statements due to the accounting officer's decision in this regard to record these assets in the 2009/10 financial year. Consequently, it was not feasible to satisfy myself through alternative means as to what adjustments might have been necessary to conclude on the valuation, completeness and accuracy of investment property, depreciation or fair value adjustments that may have been appropriate.</p>	<p>proposal call for the appointment of a service provider to update the fixed asset register with complete records of land and buildings as per Grap requirements has to be finalised as per the minutes of the last Controls Transformation Steering Committee meeting held on 24 February 2010. This is to ensure that all supply chain procedures are adhered to. Once all the above issues have been resolved approval to award contract Pu 93 of 08/09 will be discussed with the intervention team .</p>			by 12 April 2010
<p>Inventory</p> <p>I was unable to confirm by alternative means the completeness, accuracy and valuation of inventory totalling R28,49 million, which is included in note 3 to the financial statements. This was due to a complete breakdown of internal</p>	<p>A stock take was undertaken from 2 March 2010 to 6 March 2010. The revaluation of stock on hand is still</p>	<p>Mr T Ashby Mr B Hafiz Mr N Sarawan</p>	<p>29 April 2010</p>	<p>The process of reconciliation and write-offs is currently being</p>

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
controls, accountability and accounting records in the stores section. Moreover, inventory held by the store for distribution at no charge was not measured at the lower of the cost or current replacement cost in terms of Standard of GRAP 12 (<i>Inventories</i>), resulting in an unquantifiable misstatement of the carrying value thereof.	awaiting the reconciliation of the stock adjustment which is being performed.			undertaken and a report with adjustments will be tabled at the Executive Committee by 29/04/10.
Contingent liabilities The accounting officer was unable to provide sufficient appropriate audit evidence to satisfy me on the completeness and valuation of contingent liabilities totalling R17,743 million, as disclosed in note 46 of the financial statements. Accordingly I was unable to perform alternative audit procedures to determine whether any adjustments might have been necessary to the applicable disclosure shown in the financial statements for contingent liabilities.	System set up between Finance and Legal to report on a monthly basis the listing of contingent liabilities outstanding	L.Harrood/MB Sahibdeen	31 March 2010	The schedule with the relevant information has been received on 7 April 2010. The query will be resolved thereafter.
Revenue The municipality failed to account for revenue in terms of an agreement whereby, a quarry was required to make monthly payments to it for every cubic metre of mineral that was mined. Moreover, the accounting officer was unable to produce any records for this revenue to permit the application of alternative audit procedures, thus I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and accuracy thereof.	Information received from Weame Quarry on tonnages sold from May 2008 to November 2009.	MB Sahibdeen	30 April 2010	1.Letter written to request information on the tonnage sold from December 2009 to date. 2. Set up meeting with Legal/Finance and Real Estates to

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
				discuss the requirements of the agreement.
<p>Irregular expenditure As disclosed in note 50 to the financial statements, irregular expenditure to the amount of R4,078 million was incurred, as the supply chain management process had not been followed.</p>	<p>All authority has been removed from Business Units to obtain orders/quotations. Centralisation of the placement of orders lies with the Supply Chain Management Unit as from 12 April 2010</p>	F Grantham	12 April 2010	
<p>Material losses As disclosed in note 53 to the financial statements, water and electricity losses of R60,05 million (6 581 946 Kilolitres) and R32,42 million (160 694 509 Kilowatts) respectively, were incurred during the year. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.</p>	<p>Water:</p> <ul style="list-style-type: none"> • Replacement of ageing Water reticulation infrastructure. <p>Electricity:</p> <ul style="list-style-type: none"> • Disconnection of all illegal connections • Reconfiguration of electrical network. 	Mr T Maseko	ongoing	<p>Water: 6.5 km pipe</p> <p>Electricity: For the period July-December 2009</p> <p>Pole: 170 CDU: 242 Meter: 148 Services removed for tampering: 230</p> <ul style="list-style-type: none"> • replacement

Audit Query								Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
	Par. No.	Basis for qualified opinion	CE	RA	CA	IC	M				
8.	Property, plant and equipment not correctly measured and recognised	1		6							
9	Investment property not accounted for completely and accurately	1		6							
10.	Inventory not complete	2	2	6							

Audit Query								Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
		and correctly valued									
11.		Contingent liabilities not accurate and complete		2	6						
12.		Revenue not complete and accurate	5		6						
Legend											
CE = Control environment											
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.							1				
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.							2				
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.							3				
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.							4				
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.							5				
Management's philosophy and operating style do not promote effective control over financial reporting.							6				
The entity does not have individuals competent in financial reporting and related matters.							7				
RA = Risk assessment											

Audit Query		Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1				
The entity does not identify risks to the achievement of financial reporting objectives.	2				
The entity does not analyse the likelihood and impact of the risks identified.	3				
The entity does not determine a risk strategy/action plan to manage identified risks.	4				
The potential for material misstatement due to fraud is not considered.	5				
CA = Control activities					
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1				
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2				
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3				
Actions are not taken to address risks to the achievement of financial reporting objectives.	4				
Control activities are not selected and developed to mitigate risks over financial reporting.	5				
Policies and procedures related to financial reporting are not established and communicated.	6				
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7				
IC = Information and communication					
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1				
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2				

Audit Query		Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3				
M = Monitoring					
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1				
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2				
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3				
Non-compliance with applicable legislation					
Basic Conditions of Employment Act Working hours exceeded the prescribed norms, which was not in compliance with section 10(1)(b) of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997). In this regard the actual overtime exceeded the budget by R32,401 million.		Basic Conditions of Employment Act will be complied with. No staff member will be paid overtime of more than 40hours per month as per Exco resolution dated 5 November 2009.	B Paton DMM : Corporate Services.	N/a	Exco resolution dated 5 November 2009 has been implemented.
Municipal Systems Act Thirty-eight councillors had not declared their business interests, as required by the Code of Conduct for Councillors, which is contained in sections 5, 6, 7 and 8 of schedule 1 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).		The speaker should provide declaration of interest forms to the 38 Councillors at the next Full Council meeting.	B Paton M : Office of the City Manager	28 April 2010	Action in Progress.

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS				
<p>Content of integrated development plan</p> <p>1. The Integrated Development Plan (IDP) of the Msunduzi Municipality did not include measurable priorities, objectives and performance targets, as prescribed by section 41(1)(b) of the MSA for main supply upgrading; water equipment; low income and rural housing; restructuring zones, as well as network reinforcement.</p> <p>2. The municipality's performance management system is not devised in such a way that it serves as an early warning indicator of under performance, as prescribed by section 41(2) of the MSA.</p>	<p>1. The organizational scorecard will be included in the final approved reviewed IDP 2010/2011</p> <p>2. *Quarterly reports on the SDBIP are submitted and presented to EXCO, indicating variances and reasons for variances. *Quarterly performance assessments of all S57 Managers will be conducted.</p>	<p>*IDP Manager *Manager: Office of the Municipal Manager</p> <p>*Manager: Office of the Municipal Manager *Municipal Manager</p>	<p>End May 2010</p> <p>Quarterly</p>	<p>Draft IDP has been prepared; however, does not include organizational scorecard as yet.</p> <p>*Qtr 1&2 SDBIP reports have been done *half yearly and performance assessments</p>

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
<p>3. The annual budget of the municipality did not have a clear link to the priorities, objectives and performance targets as set out in the IDP, as prescribed by regulation 6 of the Municipal Planning and Performance Management Regulations, 2001.</p> <p>4. The annual performance report of the municipality did not contain information, as required by section 46(1) of the MSA.</p>	<p>3. All projects in the approved budget will have reference to IDP objectives.</p> <p>4. The 2009/2010 performance report will contain all necessary information.</p>	<p>*Manager: Budget *IDP Manager *Manager: Office of the Municipal Manager * ICT Manager</p> <p>*Manager: Office of the Municipal Manager</p>	<p>End May 2010</p> <p>End July 2010</p>	<p>of S57 are to be conducted in April 2010 *Evaluation Panels for the assessment of S57 Managers have been approved and established. Draft budget has started, need to align to IDP objectives</p> <p>n/a</p>

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
Findings on performance information				
<p>Lack of adoption or implementation of a performance management system</p> <p>The Msunduzi Municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.</p>	Review approved PMS Policy	PMS Manager M : Office of the City Manager	end June 2010	Review included in action plan.
<p>No mid-year budget and performance assessments</p> <p>The accounting officer of the Msunduzi Municipality did not by 25 January 2009 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 and 88 of the MFMA.</p> <p>Lack of appropriate information systems generating performance information</p> <p>Sufficient appropriate audit evidence with regard to the</p>	<p>*Mid-year assessments for 2009/201 will be conducted in April 2010 (notably it is already late)</p> <p>*an annual calendar relating to PMS activities is being developed with</p>	Municipal Manager	End April 2010	In process of developing schedule and finalizing process

Audit Query	Response from Municipality Action to resolve query	Person Responsible	Target Date	Progress
reported performance information of the objectives relating to basic water; sanitation; electricity and solid waste removal could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.	applicable deadlines/timeframes. *Review reporting processes to include reference to documents for audit purposes	Manager: Office of the Municipal Manager	Begin for 3 rd quarter review of SDBIP 2010	In process of review for 3 rd quarter SBIP report 2010
Source information not accurate and complete The source information or evidence provided to support the reported performance information of the objectives relating to basic water; sanitation; electricity and solid waste removal did not adequately support the accuracy and completeness of the facts. In this regard these performance objectives were not supported by documentation evidencing the achievement of targets.	*Review reporting processes to include reference to documents for audit purposes	Manager: Office of the Municipal Manager	Begin for 3 rd quarter review of SDBIP 2010	In process of review for 3 rd quarter SBIP report 2010
Performance information not received in time The performance information for the group was not submitted in time, which was in contravention of <i>General notice 616</i> issued in <i>Government Gazette number 31057</i> , dated 15 May 2008.	This information will be submitted in time for the current financial year.	Manager: Office of the Municipal Manager	End July 2010	N/A

Key governance responsibilities

No.	Matter	N	Response from Municipality Action to resolve query	Target Date	Progress
------------	---------------	----------	---	--------------------	-----------------

Clear trail of supporting documentation that is easily available and provided in a timely manner						
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>			
Quality of financial statements and related management information						
2	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>			
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>			
Timeliness of financial statements and management information						
4	The annual financial statements were submitted for auditing as per the legislated deadline in section 126 of the MFMA.		<input type="checkbox"/>			
Availability of key officials during audit						
5	Key officials were available throughout the audit process.		<input type="checkbox"/>			
Development and compliance with risk management, effective internal control and governance practices						
6	Audit committee		<input type="checkbox"/>			
	• The municipality had an audit committee in operation throughout the financial year.		<input type="checkbox"/>			
	• The audit committee operates in accordance with approved, written terms of reference.		<input type="checkbox"/>			
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		<input type="checkbox"/>			
7	Internal audit		<input type="checkbox"/>			
	• The municipality had an internal audit function in operation throughout the financial year.		<input type="checkbox"/>			
	• The internal audit function operates in terms of an		<input type="checkbox"/>			

	approved internal audit plan.					
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		<input type="checkbox"/>			
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>			
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>			
10	The information systems were appropriate to facilitate the preparation of the financial statements.		<input type="checkbox"/>			
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		<input type="checkbox"/>			
12	Delegations of responsibility are in place, as set out in section 79 of the MFMA.		<input type="checkbox"/>			
Follow-up of audit findings						
13	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>			
14	SCOPA/Oversight resolutions have been substantially implemented.		<input type="checkbox"/>			
Issues relating to the reporting of performance information						
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>			
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>			
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring		<input type="checkbox"/>			

.	the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.					
1 8 .	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		<input type="checkbox"/>			

Management Letter

Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress

Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress